

ANNUAL BUDGET OF  
**CITY OF**  
**uMHLATHUZE**

2017/18 TO 2019/20  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS (TABLED - DRAFT)





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## Abbreviations and Acronyms

|       |   |       |   |
|-------|---|-------|---|
| CFO   | Chief Financial Officer                             | KPA   | Key Performance Area                          |
| CPI   | Consumer Price Index                                | KPI   | Key Performance Indicator                     |
| CRR   | Capital Replacement Reserve                         | kWh   | kilowatt                                      |
| DoRA  | Division of Revenue Act                             | l     | litre   |
| DWA   | Department of Water Affairs                         | LED   | Local Economic Development                    |
| EEDG  | Energy Efficiency Demand Side Management Grant      | MBRR  | Municipal Budget Reporting Regulations        |
| EPWP  | Expanded public works programme integrated grant    | MFMA  | Municipal Financial Management Act Programme  |
| FBS   | Free basic services                                 | mSCOA | Municipal Standard Chart of Accounts          |
| FMG   | Financial Management Grant                          | MIG   | Municipal Infrastructure Grant                |
| GAMAP | Generally Accepted Municipal Accounting Practice    | MPRA  | Municipal Properties Rates Act                |
| GFS   | Government Financial Statistics                     | MSA   | Municipal Systems Act                         |
| GRAP  | General Recognised Accounting Practice              | MTREF | Medium-term Revenue and Expenditure Framework |
| IDP   | Integrated Development Strategy                     | NERSA | National Electricity Regulator South Africa   |
| INEP  | Integrated National Electrification Programme Grant | PMS   | Performance Management System                 |
| ISDG  | Infrastructure Skills Development Grant             | PPE   | Property Plant and Equipment                  |
| IT    | Information Technology                              | SALGA | South African Local Government Association    |
| kℓ    | kilolitre   | SDBIP | Service Delivery Budget Implementation Plan   |
| km    | kilometre   | SMME  | Small Micro and Medium Enterprises            |

## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### **RADICAL ECONOMIC TRANSFORMATION FOR INCLUSIVE GROWTH**

Mister Speaker,

Fellow Councillors,

Firstly we want to offer our condolences to the family and South Africa as whole, of the passing away of our stalwart Mr Ahmed Kathrada. Indeed this is a great loss to South Africa during the time where the President of the Republic has declared this year, being the year of celebrating President OR Tambo's life.

We are presenting a draft MTREF for 2017/18 where South African political economy is at a cross roads. In short, that means it *can't continue being business as usual*. As the National Government said "We are committed to implement plans for boosting economic growth, working together with businesses, labour and all citizens." The city has also committed itself to radical economic transformation for inclusive growth.

The former Minister of Finance said "***It is for this reason that, this year will be about using the budget to enhance broad-based transformation and making economic growth more inclusive.***"

The Municipal Finance Management Act (MFMA) and National treasury circular no. 85 and 86 requires us to table a draft MTREF in March for consideration and approval by Council before it is taken for public scrutiny. Section 17 (1) of the MFMA amongst other things highlights that a budget must be in a prescribed format, and include realistically anticipated revenue for the budget year from each revenue source and appropriating expenditure for the budget year under the different votes of the municipality.

We should therefore never overlook this very important legislative imperative because it advocates for transparency in our approach when dealing with Public funds.

We take positives in that, under extremely tight economic circumstances the Municipality has retained and in fact improved its liquidity situation, Maintaining a very good debtors recovery ratio overall, kept the basket of service charges increases below inflation and have placed the Municipality's dependency on capital borrowing in the best position since inception of this Municipality. The biggest contributor to capital is from the Capital Replacement Reserve now sitting at 53% for the 2017/18 MTREF.

## Financial Strategic Approach

The 2017/18 MTREF is the first budget for the five year IDP of the Municipality. In brief the 2017/18 MTREF can be summarized as follows:

- Affordable tariffs
- Not business as usual
- Budget roadshows
- Budget giving effect to the IDP
- Economic Infrastructure

## 2017/18 DRAFT MTREF SUMMARY

| Description<br>R thousands                  | Current Year<br>2016/17 | 2017/18 Medium Term Revenue & Expenditure Framework |                     |                        |
|---|-------------------------|---|---------------------|------------------------|
|   |                         | Adjusted Budget                                     | Budget Year 2017/18 | Budget Year +1 2018/19 |
| Total Operating Revenue                     | 2 822 497               | 2 895 441   | 3 042 996           | 3 261 361              |
| Total Operating Expenditure                 | 2 842 746               | 2 882 744   | 3 026 497           | 3 242 848              |
| <b>Surplus/ (Deficit) for the year</b>      | <b>(20 249)</b>         | <b>12 697</b>                                       | <b>16 499</b>       | <b>18 513</b>          |
| <b>Total Capital Expenditure</b>            | <b>548 524</b>          | <b>521 255</b>                                      | <b>566 774</b>      | <b>548 154</b>         |
| <b>TOTAL OPERATING &amp; CAPITAL BUDGET</b> | <b>3 391 270</b>        | <b>3 403 999</b>                                    | <b>3 593 271</b>    | <b>3 809 515</b>       |

## Capital Budget

The City has invested over half a billion on Capital Expenditure which focuses on providing infrastructure. For 2017/18 an amount of R343 million has been appropriated for the development of infrastructure which represents 66 per cent of the total capital budget. In the outer years this amount totals R388 million, 68 per cent and R 445 million, 81 per cent respectively for each of the financial years. Water infrastructure receives the highest allocation of R90 million in 2017/18 which equates to 26 per cent followed by road transport at 26 per cent, R88 million, waste water infrastructure at 23 per cent, R80 million and then electricity infrastructure at 23 per cent, R80 million.

Total new assets represent 37 per cent or R 192 million of the total capital budget, asset renewal equates to 21 per cent or R 111 million and upgrade of existing assets 8 per cent or R 40 million

## **Operating Budget**

The City's Operating expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Given that one of the primary drivers of this budget is to keep tariff increases within the inflationary envelope of 6 per cent, expenditure allocations in excess of the 2016/17 Adjustments budget are very limited;
- Funding of the budget over the medium-term is informed by Section 18 and 19 of the MFMA;

Repairs and Maintenance is prioritized to ensure sustainability of the City's infrastructure. 18.5 percent of total operating expenditure has been budgeted for Repairs and Maintenance.

## **Supply Chain Management**

On 13 July 2016 Council took a resolution to amend the Supply Chain Management policy to address among other things:

To spend a minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals (HDIs) e.g. youth, women, people with disabilities within the jurisdiction of the City of uMhlathuze, through the application of Preferential Procurement Policy and relevant policies.

- 40% Youth
- 40% Women
- 20% People with disabilities

We therefore urge all business youth, women, and people with disabilities to make sure that their companies are registered with the Municipality, Central Supplier Database, Receiver of Revenue, CIDB to name a few.

## **Tariffs**

The Honorable President of the Republic of South Africa said in his 2017 State of the Nation address, that load shedding is the thing of the past. Eskom has gained stability in providing electricity. The electricity tariff increase approved by NERSA is at its lowest in 5 years. Service Revenue from Water has dropped significantly due to reduction in usage from the effects of the down-turn in the economy in the last few years and a reduction in consumer behavior, due to drought restrictions.

Council has considered all the economic challenges that our consumers are faced with, and have therefore approved tariffs that are considered affordable for the 2017/18 financial year.

| TARIFF INCREASES 2017/18 |      |
|--------------------------|------|
| SERVICES                 | %    |
| Assessment Rates         | 10   |
| Water - Residential      | 9    |
| Water - Business         | 9    |
| Electricity              | 1.88 |
| Sanitation               | 7    |
| Refuse Removal           | 7    |
| Vacant Land              | 29   |

The City continuously provides social support to indigent and poor households. We provide relief on a targeted basis to specific households whose socio/economic circumstances are dire. These cases are registered and managed by dedicated Municipal staff on an on-going basis.

In closing, we are presenting this budget at a time when our economy is challenged. It is however our aim to remain vigilant in improving the lives of our citizens in uMhlathuze. We therefore call upon all people of uMhlathuze, including business to assist the municipality in making the City attractive to investors so that our economy can improve, by how we conduct ourselves. We all know that we have drought so let's conserve the water that we have. To businesses let's pay for the services when we get the account.

Thank you

Mayor, Councillor Mdu Mhlongo

## 1.2 Council Resolutions

On 31 May 2017, the Council of the City of uMhlathuze will meet in the Council Chambers to adopt the annual budget of the municipality for the financial year 2017/18. The Council will approve and adopt the following resolutions:

1. the Adopted Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the municipality for the financial year 2017/18 and indicative for the projected outer years 2018/19 and 2019/20 be approved as set out in the Budget Report (**DMS 1201643**) and in the Budget tables A1 - A10 (**Annexure B1 - B13**) (**DMS 1202162**);
2. the 2012-2017 Integrated Development Plan (IDP) (Final) (**DMS 1134690**) be incorporated into the Adopted 2017/18 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Adopted 2017/18 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals and the Municipal Regulation on Standard Chart of Accounts (mSCOA) (Government Gazette 37577 dated 22 April 2014) for the City of uMhlathuze be approved as follows:

| Description<br>R thousands             | Current Year<br>2016/17 | 2017/18 Medium Term Revenue & Expenditure Framework |                     |                        |
|--|-------------------------|---|---------------------|------------------------|
|  |                         | Adjusted Budget                                     | Budget Year 2017/18 | Budget Year +1 2018/19 |
| Total Operating Revenue                | 2 822 497               | 2 895 441   | 3 042 996           | 3 261 361              |
| Total Operating Expenditure            | 2 842 746               | 2 882 744   | 3 026 497           | 3 242 848              |
| <b>Surplus/ (Deficit) for the year</b> | <b>(20 249)</b>         | <b>12 697</b>                                       | <b>16 499</b>       | <b>18 513</b>          |
| <b>Total Capital Expenditure</b>       | <b>548 524</b>          | <b>521 255</b>                                      | <b>566 774</b>      | <b>548 154</b>         |

It be further noted that this Budget in as far as the Municipal's administration ability and financial system capability allowed, is Project based.

4. the following table setting out the surplus/(deficit) across the services be approved:

| Description<br>R thousand             | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---------------------------------------|---|---------------------------|---------------------------|
|                                       | Budget Year<br>2017/18                              | Budget Year +1<br>2018/19 | Budget Year<br>+2 2019/20 |
| <b>Electricity</b>                    |   |                           |                           |
| Surplus/(Deficit) for the year        | 250 753   | 272 871                   | 277 306                   |
| <b>Water</b>                          |   |                           |                           |
| Surplus/(Deficit) for the year        | (27 275)  | (23 516)                  | (15 322)                  |
| <b>Waste water management</b>         |   |                           |                           |
| Surplus/(Deficit) for the year        | (28 930)  | (22 444)                  | (20 507)                  |
| <b>Waste management</b>               |   |                           |                           |
| Surplus/(Deficit) for the year        | 7 898   | 9 200                     | 11 213                    |
| <b>Other Services</b>                 |   |                           |                           |
| Surplus/(Deficit) for the year        | (189 749)   | (219 613)                 | (234 176)                 |
| <b>Total</b>                          |   |                           |                           |
| <b>Surplus/(Deficit) for the year</b> | <b>12 697</b>                                       | <b>16 499</b>             | <b>18 513</b>             |

5. a further amount R 3 251 000 be allocated under Grants in Aid payable to Thanda Royal Zulu, totalling the grant allocation to R 5 million. This additional amount be funded by reducing the 2017/18 anticipated surplus of R 12,6 million;

6. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2017/18 financial year is approved:

| Category                              | Proposed tariff<br>(from 1 July 2017)<br>c | Ratio to Residential<br>Tariff |
|---------------------------------------|--|--------------------------------|
| Residential Properties - Private      | 0.0091                                     | 1 : 1                          |
| Residential Properties - Municipal    | 0.0091                                     | 1 : 1                          |
| Residential Properties - State        | 0.0091                                     | 1 : 1                          |
| Business / Commercial - Private       | 0.0191                                     | 1 : 2,1                        |
| Business / Commercial - Municipal     | 0.0191                                     | 1 : 2,1                        |
| Business / Commercial - State         | 0.0191                                     | 1 : 2,1                        |
| Agricultural Properties - Private     | 0.0022                                     | 1 : 0,25                       |
| Agricultural Properties - Municipal   | 0.0022                                     | 1 : 0,25                       |
| Agricultural Properties - State       | 0.0022                                     | 1 : 0,25                       |
| Industrial Properties - Private       | 0.0199                                     | 1:2,2                          |
| Industrial Properties - Municipal     | 0.0199                                     | 1:2,2                          |
| Industrial Properties - State         | 0.0199                                     | 1:2,2                          |
| Mining - Private                      | 0.0209                                     | 1:2,3                          |
| Mining - Municipal                    | 0.0209                                     | 1:2,3                          |
| Mining - State                        | 0.0209                                     | 1:2,3                          |
| Public Service Purposes (State Owned) | 0.0105                                     | 1:1,1                          |
| Vacant Land - Private                 | 0.0160                                     | 1:1,75                         |

| Category                                  | Proposed tariff<br>(from 1 July 2017)<br>c | Ratio to Residential<br>Tariff |
|---|--|--------------------------------|
| Vacant Land - Municipal                   | 0.0160                                     | 1:1,75                         |
| Vacant Land - State                       | 0.0160                                     | 1:1,75                         |
| Public Service Infrastructure - Private   | 0.0022                                     | 1:0,25                         |
| Public Service Infrastructure - Municipal | 0.0022                                     | 1:0,25                         |
| Public Service Infrastructure - State     | 0.0022                                     | 1:0,25                         |
| Public Benefit Organisations              | 0.0022                                     | 1:0,25                         |
| Municipal Properties                      | 0.0091                                     | 1 : 1                          |

7. on application by the relevant rate payers the following rebates be applied subject to the provisions contained in the Rates Policy:
  - Agricultural properties - 5%
  - Non Profit Organisations - 20%
8. The following in terms of the 2017/18 Property Rates Ratio be approved-
  - Vacant Land Category – New ratio 1:1,75;
9. the Rates Policy as contained in **Annexure D1 (DMS 1204629)** be approved;
10. in addition to the statutory R15 000 reduction in the valuation on residential properties a further reduction of R105 000 of the valuation on all developed residential properties valued at R 400 000 and below be made;
11. in addition to the reductions in recommendation (8) above and subject to the criteria set out in the Property Rates Policy an additional R150 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;
12. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R120 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R120 000 on the following basis:
  - a) Properties valued between R120 001 and R170 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
  - b) Properties valued at R170 001 and higher will pay the normal tariff.
13. the amendment of the Tariff of Charges as per **Annexure C (DMS 1203024)** be approved;
14. the Tariff policy as per **Annexure D2 (DMS 1204736)** be approved;
15. It be noted that the average increase in tariffs for a house hold that pays for the full basket of municipal services is below 6%;
16. Council approves the 2017/18 Electricity tariff increase at 1.88 per cent as approved by NERSA;

17. the revised Virement Policy (Transfer of funds) as per **Annexure D3 (DMS 1175314)** be approved;
18. the prepaid electricity tariffs for excess purchases over the individual consumer's average monthly electricity prepaid purchases for the 2017/18 financial year be increased by 10%;
19. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
20. the property rates and tariff adjustments as set out above be dealt in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;
21. the contribution of 10,5% from Electricity Trading Service to Rates and General Service be calculated on total electricity operating expenditure and will be appropriated at the end of the financial year. It be noted that electricity tariffs on average include a Local Government Levy of 10,5%, revenue of which is used to finance the Rates and General services i.e. all municipal services other than trading services;
22. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve account as applicable from 1 July 2013;
23. in terms of various policies the following increases in allowances are submitted to Council for approval:

|  | Approved<br>2016/17 Tariffs | Proposed Tariffs -<br>2017/18 |
|--|-----------------------------|-------------------------------|
|  | R                           | R                             |
| Standby - Travel allowance (no increase)                                 | 91                          | 96                            |
| Standby - Subsistence allowance (no increase)                            | 59                          | 63                            |
| <b>Subsistence allowances (no increase)</b>                              |                             |                               |
| Daily allowance  | 128                         | 136                           |
| Overnight allowance  | 171                         | 181                           |
| Own accommodation  | 235                         | 249                           |
| <b>Accommodation (no increase)</b>                                       |                             |                               |
| All employees  | 1 070                       | 1 134                         |
| All councillors and Section 56 employees                                 | 1 792                       | 1 900                         |
| Municipal Manager, Mayor/ Deputy Mayor, Speaker and Municipal Chief Whip | 2 991                       | 3 170                         |
| Ward committee members   | 1 202                       | 1 274                         |
| <b>Indigent Burial Assistance</b>  |                             |                               |
| Adult  | 2 310                       | 2 500                         |
| Child (1 day to 15 years)  | 1 732                       | 1 900                         |
| Stillborn / foetus   | 1 155                       | 1 300                         |

24. in terms of various unspent conditional grants received from the National Fiscus Council hereby requests that the Municipal Manager via letters to the respective transferring officers apply for a roll-over of funds received in 2016/17 financial year to the next financial year, namely the 2017/18 financial year;
25. Council approve the two cents per kilowatt hour tariff on all business consumers for the purposes of an Energy Saving Reserve;
26. Council approves the borrowing of R 100 million for the 2017/18 budget year and a further R 100 million for 2018/19 for capital expenditure; however requirements of MFMA Section 46 will still be followed; and
27. National Treasury's 2017/18 key observations arising from the Benchmark Engagement held in Pretoria on 16 May 2017 be noted, some of these observations have been implemented in the 2017/18 MTREF and the balance will be implemented in the 2018/19 MTREF.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

In the process of compiling the Tabled 2017/18 MTREF the submissions received from the Departments which were all project based could be broken down into the following categories:

| Scenario                         | Capital (Own funding) |                |                |
|----------------------------------|-----------------------|----------------|----------------|
|                                  | 2017/18               | 2018/19        | 2019/20        |
|                                  | R 000                 | R 000          | R 000          |
| Initial Departmental Submissions | 567 556               | 564 433        | 560 471        |
| Departmental Cuts                | (193 606)             | (163 073)      | (208 179)      |
| <b>DRAFT TABLE BUDGET</b>        | <b>373 950</b>        | <b>401 360</b> | <b>352 292</b> |

| Scenario                       | Operating Budget |                  |               |
|--------------------------------|------------------|------------------|---------------|
|                                | Revenue          | Expenditure      | Deficit       |
|                                | R 000            | R 000            | R 000         |
| First (excl tariff increases)  | 2 762 432        | 3 192 892        | (430 460)     |
| Second (excl tariff increases) | 2 762 432        | 2 905 698        | (143 266)     |
| Third (excl tariff increases)  | 2 762 432        | 2 882 391        | (119 959)     |
| <b>DRAFT TABLE BUDGET</b>      | <b>2 895 441</b> | <b>2 882 668</b> | <b>12 773</b> |

As Council is aware this Municipality is a pilot for the National Treasury on the new Municipal Standard Chart of Accounts (mSCOA). Such are governed by regulations which will become effective Nation-wide on 1 July 2017.

Therefore the reductions of both the operating and capital budget was done in terms of mSCOA project submissions by the respective user departments.

Furthermore, a critical review was undertaken of expenditure on non-core and non-priority spending items in line with NT's Cost containment measures outlined in NT's MFMA circular number 82. Emphasis was placed on providing of funds for the repairs and maintenance expenditure line items.

The **main challenges** experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The need to reprioritise projects and expenditure within the existing resource envelope. By far the greatest concern here lies with all the services financed by Property Tax (Rates). This adopted budget has the Rates Services sitting with a R 189.7 million deficit;
- The majority of households in uMhlathuze do not pay Property Rates. This because the individual properties within the Ingonyama Trust land are not separately valued and not subject to the Municipal Property Rates Act. This despite the same communities enjoying most of the municipal services that are funded by Property Rates Income;
- There is no Equitable Share allocation for properties that do not pay Property Rates. The significance here that the delivery of basic services is very dependent on Property Rates in yet there is zero allocation from the National Equitable Share allocation for Property Rates itself. This weakness in the financial structure of the Municipal MTREF needs to be addressed at a National level;
- Although Council has received Level II Accreditation, the subsidisation of Housing services which is not a Constitutional mandate can be construed as an "unfunded" mandate due to the fact the Property Rates must now fund the deficit of R19m;
- Service Revenue from Water has dropped significantly due to reduction in usage from the effects of the down-turn in the economy in the last few years and a reduction in consumer behaviour, due to drought restrictions. The consequential water income loss is countered

by the Level 4 Drought Tariffs. The challenge here is that based on the fact that the bulk of the costs are fixed, the Water Service which is a trading service and meant to be making a surplus is now making a deficit of R 27.2 million. The Administration has to look at cutting costs in this service to make it self-sustaining. The Department of Water and Sanitation will increase its abstraction levies by 17%. This has given rise in a 10.2% increase in purchase costs from the Water Board;

- Waste Water Management Service shows a deficit of R 28.9 million on Waste Water Management, this is a concern and efforts will need to be made to reduce this deficit in the coming MTREF by reducing costs therefore the introduction of more efficient and effective operations;
- Waste Management drop in revenue from commercial and industrial consumers through competition from the private sector is of concern on the sustainability of this service as it has no business case through the provision of this service to residential consumers alone;
- Financial implications through the incorporation of the additional three wards from the de-established Ntambanana Municipality could only be properly assessed re-actively and are only taken account of properly in this 2017/18 MTREF. The challenge is that as with the rest of the Ingonyama Trust wards, there is no Rates collected and very little service income;
- The dire need for an efficient and effective business ethic to be applied to all the municipalities' business processes regardless of whether the intended outcome of such process is of a social, economic or profit making nature. This administrative weakness stands out more prominently now with the adoption of the mSCOA regulations;
- Although Employee related costs as a percentage of total Expenditure amounts to 25.5% and appears to be below the 30% industry standard, it is not realistic for specifically uMhlathuze Municipality to be comfortable with this figure because of the high electricity purchase cost which distorts Council's budget figures when compared to other secondary cities. Without a properly researched formula in place, it is difficult to guide Council to a specific benchmark, but in COU situation that figure should be no more than the current 25% given the distortion in COU budget caused by the high Electricity Turnover;
- The reduction in Other Revenue sources for example Agencies Services for vehicle licensing, Traffic Fines, Licenses and Permits is placing unsustainable pressure on Rates. This is particularly anomalous in light of the fact that these fees should increase in an area where population and related vehicle numbers are increasing in yet income is reducing. This was reported previously and still remains a serious concern;
- Preparation of a mSCOA project based budget without a budgeting tool within the financial system meant that the information had to be prepared manually which left room for possible errors to arise;
- Furthermore, this manual process is time consuming and utilises a lot of resources which puts unnecessary strain on the employees involved in preparing the budget document and budget tables; and
- The Municipal Budget and Reporting Tables for the 2017/18 MTREF must be prepared using version 6.1 which is aligned to the version 6.1 of the mSCOA classification framework. However, the audited results and the current years' (2016/17) information must be disclosed using the previous version of the tables. By implication two separate schedules must be submitted.

The following budget principles, guidelines and assumptions directly informed the compilation of the 2017/18 MTREF:

- An energy savings fund has been set up as from the 2015/16 electricity tariffs. Two cents per Kilowatt hour is levied on all Enerflex tariffs. Funds made available for this initiative amount to R8.9m in the 2017/18 MTREF;
- No organic growth in the revenue base;
- Revenue cash flow assumes a 96% recovery;
- Capital from own funding (Capital Replacement Reserve and Borrowing) allocated on a prioritized model between Functions;
- The budget now carries the total depreciation costs for all municipal assets. This process has taken six financial years to phase in.
- The basket of municipal services tariffs collectively has been kept below 7%.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Repairs and Maintenance provisions reach the best practice parameters of 8% of Asset Cost and 13% of Operating Expenditure target; and
- Road Resealing of urban roads which historically has been treated as an operating expense is from the 2017/18 MTREF treated as a capital expense funded from the Capital Replacement Reserve. It has also been increased by 80%.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

Following the tabling of the MTREF, National Treasury will review and make comments on the Tabled budget. This assists the Municipality in ensuring quality when preparing the budget in terms of the MFMA. As indicated in the MFMA Budget Circular no. 86, this review was scheduled for 16<sup>th</sup> May 2017.

National Treasury will normally, from a quality perspective, assess the budget against the following three criteria:

- Credibility;
- Relevance; and
- Sustainability.

The 2017/18 MTREF has been compiled with the above in mind to ensure that key observations by National Treasury during their previous reviews of Multi- year Budgets have been taken care of.

It is important to note that although uMhlathuze Municipality applied to NERSA for an average tariff increase of 1.91 per cent, NERSA indicated that this increase was too high and that the municipality would need to review their tariffs. Council's application was based on the guideline received from NERSA in which they indicated that the expected Eskom Bulk Purchases would increase by 2.2 per cent, NERSA has indicated that electricity bulk purchase cost will be limited to 0.31 per cent for the 2017/18 financial year.

After taking the above information into consideration, the Financial Services has determined that the reduction in Revenue as well as the corresponding reduction in Expenditure is not significant to warrant any changes in the Tabled Operating Budget figures.

In light of the above comments, the CFO has included the following recommendation to Council:

*"Council approves the 2017/18 Electricity tariff increase at 1.88 per cent as approved by NERSA;"*

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2017/18 MTREF**

| Description<br>R thousands             | Current Year<br>2016/17 | 2017/18 Medium Term Revenue & Expenditure Framework |                     |                        |
|--|-------------------------|---|---------------------|------------------------|
|  |                         | Adjusted Budget                                     | Budget Year 2017/18 | Budget Year +1 2018/19 |
| Total Operating Revenue                | 2 822 497               | 2 895 441   | 3 042 996           | 3 261 361              |
| Total Operating Expenditure            | 2 842 746               | 2 882 744   | 3 026 497           | 3 242 848              |
| <b>Surplus/ (Deficit) for the year</b> | <b>(20 249)</b>         | <b>12 697</b>                                       | <b>16 499</b>       | <b>18 513</b>          |
| <b>Total Capital Expenditure</b>       | <b>548 524</b>          | <b>521 255</b>                                      | <b>566 774</b>      | <b>548 154</b>         |

Total operating revenue has grown by 2.6 per cent or R73 million for the 2017/18 financial year when compared to the 2016/17 Adjusted Budget. For the two outer years, operational revenue will increase by 5.1 and 7.2 per cent respectively, equating to a total revenue growth of R439 million over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R2.9 billion and translates into a budgeted surplus of R12.7 million. When compared to the 2016/17 Adjusted Budget, operational expenditure has grown by 1.4 per cent in the 2017/18 budget and by 5 and 7.1 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years remains constant at R 16.5 million and then increases slightly to R 18.5 million.

The adopted capital budget of R521 million for 2017/18 is 5 per cent less when compared to the 2016/17 Adjusted Budget.

**Table 2 Proposed Capital Funding**

| R thousand                                  | Vote Description | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|------------------|---|------------------------|------------------------|
|   |                  | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <u>Funded by:</u>                           |                  |   |                        |                        |
| National Government                         |                  | 147 305   | 165 414                | 195 862                |
| Provincial Government                       |                  | –   | –                      | –                      |
| <b>Transfers recognised - capital</b>       |                  | <b>147 305</b>                                      | <b>165 414</b>         | <b>195 862</b>         |
| <b>Public contributions &amp; donations</b> |                  | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>Borrowing</b>                            |                  | <b>100 000</b>                                      | <b>100 000</b>         | <b>–</b>               |
| <b>Internally generated funds</b>           |                  | <b>273 950</b>                                      | <b>301 360</b>         | <b>352 292</b>         |
| <b>Total Capital Funding</b>                |                  | <b>521 255</b>                                      | <b>566 774</b>         | <b>548 154</b>         |

The capital programme increases to R 567 million in the 2018/19 financial year and decreases to R 548 million in 2019/20. A portion of the capital budget will be funded from borrowing over MTREF with anticipated borrowings of R100 million in 2018/19 of the MTREF.

Borrowing will contribute 19, 18 and 0 per cent of capital expenditure in each of the MTREF years. The balance will be funded from internally generated funds. The repayment of capital and

interest (debt services costs) has decreased over the past five years and is forecasted to remain constant over the MTREF period.

The following projects for 2017/18 MTREF as indicated in the table below will be funded from borrowing:

**Table 3 Proposed Capital Projects Funded from Borrowing**

| NO | DETAILED PROJECT DESCRIPTION (QUANTITY & LOCATION -<br>OUTPUTS & OUTCOMES) | DRAFT 2017/18 | DRAFT 2018/19 | DRAFT 2019/20 |
|----|--|---------------|---------------|---------------|
| 1  | 11KV FORMALHAULT SWITCHING SWITCHGEAR REPLACEMENT                          | 8 000 000     | -             | -             |
| 2  | 11KV LOKOZA SWITCHING SWITCHGEAR REPLACEMENT                               | 7 000 000     | -             | -             |
| 3  | 132 KV STATION REFURBISHMENT   | 2 500 000     | 3 000 000     | -             |
| 4  | 132kV OVERHEAD LINE REFURBISHMENT  | 2 000 000     | 4 000 000     | -             |
| 5  | 132KV STRUCTURES /PYLONS REFURBISHMENT                                     | 2 000 000     | 3 000 000     | -             |
| 6  | AQUADENE DEVELOPMENT   | -             | 15 000 000    | -             |
| 7  | ARIES 11 KV SWITCH STATION - SWITCHGEAR REPLACEMENT                        | -             | 7 500 000     | -             |
| 8  | BULK MASTER PLAN   | 1 200 000     | 1 000 000     | -             |
| 9  | CONSTRUCTION OF STEEL BRIDGE   | -             | 5 000 000     | -             |
| 10 | DC SYSTEM REPLACEMENT  | 3 000 000     | -             | -             |
| 11 | ENERGY LOSSES PROJECT  | 2 000 000     | 5 688 000     | -             |
| 12 | ENGINEERING DESIGN PLANS FOR STEEL BRIDGE                                  | -             | 2 000 000     | -             |
| 13 | FINANCIAL ERP SYSTEM   | 30 000 000    | 18 262 000    | -             |
| 14 | JOHN ROSS/EMPANGENI MAIN ROAD STREETLIGHTING<br>INSTALLATION               | -             | 5 000 000     | -             |
| 15 | LV ELECTRICAL NETWORK REFURBISHMENT  | 1 000 000     | 1 000 000     | -             |
| 16 | MZINGAZI OHL UPGRADE   | 1 600 000     | -             | -             |
| 17 | MZINGAZI SEWER   | 4 000 000     | -             | -             |
| 18 | POLARIS 11KV SWITCHING SWITCHGEAR REPLACEMENT                              | -             | 13 500 000    | -             |
| 19 | QUALITY OF SUPPLY  | 2 000 000     | -             | -             |
| 20 | REPLACEMENT OF MV CABLES FROM SUBSTATION TO<br>NGWELEZANE HOSPITAL         | 1 500 000     | -             | -             |
| 21 | REPLACEMENT OF 100 ROTTEN POLES  | 1 600 000     | -             | -             |
| 22 | REPLACEMENT OF 100 RUSTED POLES  | 1 500 000     | -             | -             |
| 23 | RTU's REPLACEMENT  | 4 000 000     | -             | -             |

| NO                     | DETAILED PROJECT DESCRIPTION (QUANTITY & LOCATION -<br>OUTPUTS & OUTCOMES) | DRAFT 2017/18      | DRAFT 2018/19      | DRAFT 2019/20 |
|------------------------|--|--------------------|--------------------|---------------|
| 24                     | RURAL SANITATION (COUNTER FUNDING)   | 1 000 000          | -                  | -             |
| 25                     | TRAFFIC MONITORING SIGNAL SYSTEM   | 1 500 000          | -                  | -             |
| 26                     | UBHEJANE -SATELLITE FEEDER   | 1 100 000          | -                  | -             |
| 27                     | WATER LOSS AND DROUGHT RELIEF PROJECT                                      | 1 000 000          | 500 000            | -             |
| 28                     | WATER PROJECTS   | 13 300 000         | 13 000 000         | -             |
| 29                     | WATER QUALITY EQUIPMENT  | 3 500 000          | 1 500 000          | -             |
| 30                     | NGWELEZANE WATERWORKS 11KV OVERHEAD LINE<br>REPLACEMENT                    | 300 000            | 450 000            | -             |
| 31                     | NSEZI 11KV OVERHEAD LINE REFURBISHMENT                                     | -                  | 450 000            | -             |
| 32                     | UPGRADE : CANTEEN (EMPANGENI (REFUSE)                                      | 500 000            | 100 000            | -             |
| 33                     | AIR CONDITIONERS - ENGINEERING SUPPORT SERVICES                            | 150 000            | 50 000             | -             |
| 34                     | MV ELECTRICAL NETWORK REFURBISHMENT  | 750 000            | -                  | -             |
| 35                     | NGWELEZANE MAIN INCOMERS   | 700 000            | -                  | -             |
| 36                     | MADLANZINI OHL UPGRADE   | 700 000            | -                  | -             |
| 37                     | 200 JOJO TANKS   | 600 000            | -                  | -             |
| <b>TOTAL BORROWING</b> |  | <b>100 000 000</b> | <b>100 000 000</b> | <b>-</b>      |

It is important to note that the following projects are critical to service delivery and economic infrastructure and will require to be funded from the R 521 million allocated to other capital projects:

- uMhlathuze Stadium – Upgrade = R 40 million
- Richards Bay Taxi Rank = R 21 million
- Kwa-Dlangezwa Swimming Pool = R 7 million
- Dumisani Makhaye Phase 6 and 8 – Bulk Water Shortfall = R 5,2 million
- **TOTAL** = **R 73,2 million**

Infrastructure and Technical Services department will identify the projects from which funds will be reallocated and prepare a report to Council.

## 1.4 Municipal Standard Chart of Accounts (mSCOA)

### Background

As Council is aware this Municipality is performing a pilot exercise for the National Treasury on the new Municipal Standard Chart of Accounts. Such are governed by regulations which will become effective Nation-wide on 1 July 2017.

In short the change is resulting in some positive business reforms:

1. Ensuring a more consistent reporting of financial transactions across all municipalities in South Africa; and
2. Ensuring that municipalities can budget per objective or project based, not on items or products. This entire budget is now Project Based in terms of the mSCOA regulations

The Project commenced on the 1 September 2014 and Council "went live" on 7 July 2015.

There are many challenges at this stage, however most relate to the effect the new chart has on its existing business processes. Council had to change the Supply Chain and Expenditure side of the existing financial system to accommodate such changes using the existing service providers.

### Governance and Change Management:

- Both the Executive and Senior Management are supporting the initiative which greatly assists the rolling out of the project.
- Reporting continues on a monthly basis both to Council and the National Treasury.

### Primary Challenges:

- Due to the unexpected time taken in developing the financial system whilst in the live environment, the Finance Team has spent a lot more time than expected in ensuring transaction integrity, than the Team should have in reviewing the mSCOA structure itself. The National Treasury has a very structured "Questions and Answers" platform which the Technical members of the Finance Team are not interrogating /exploiting sufficiently. The system now is a lot more stable than 20 months ago, therefore, allowing the core project team to interrogate the chart itself more critically going forward;
- In the absence of a MSCOA Budget module within the current system, it is extremely difficult for the Finance budget staff to put together the 17/18 MTREF in the format that the National Treasury requires. They are however confident that, by end of March 2017, the approved Council budget will be in a format suitable for upload.
- There are still supplier payment delays and some procurement delays with reasons found in most cases lying with the officials not following correct procedure and not that of the mSCOA initiative or the Financial System itself;
- Some critical processes are only working partial:
  - Discount facility;

- Retentions;
- Cessions;
- Costing module;
- Project based accounting and budgeting;
- Management Accounting;
- Payroll interface/link to the General Ledger; and
- Billing interface /link to the General Ledger.

➤ Some installed and commissioned management processes are not been used at all or only partially. The specific functionality that is not used currently is the:

- The Bids Module – Currently Bids are only captured at the end of the Bid Committee Process. Whereas to ensure proper control, the Process should commence at Bid Specifications;

➤ Some un-commissioned processes / functionality that according to the project plan should have been functional by 30 June 2016 are not. These will hopefully be accommodated in the imminent ERP solution recently approved by the Bid Committees

- Budget Model;
- Assets Module;
- Fleet Module;
- Works Orders/Costing Module;
- General Financial Enquiries Module for Expenditure and SCM; and
- Statutory Reporting Module.

➤ Given that the Municipality is pursuing a complete Enterprise Resource Planning solution, it may not be prudent to pursue these uncommission modules at this stage until the project team is exactly certain which direction the Administration taking going forward.

➤ The National Treasury has now finally settled with their final version of the chart itself – Version 6.1 which will be the legal version for implementation on 1 July 2017. The municipal current chart is a hybridised version of 5.3, 5.4 and 5.5 as we were piloting the chart.

The CFO is currently managing the contractual obligations through an annual SLA. With exact dates of the new ERP solution not yet at hand at date of this report, it is envisaged that the SLA with the existing system will be extended for another year.

## 1.5 Procurement and supply chain management reform

Government and social partners signed a Local Procurement Accord on 31 October 2011, as an outcome of social dialogue on the New Growth Path (NGP). Commitment one made by government was to leverage public procurement. To give impetus to the NGP, the President made the following pronouncement in his State of the Nation Address in 2015:

*“Government will set-aside 30% of appropriate categories of state procurement for purchasing from SMMEs, co-operatives, as well as township and rural enterprises.”*

It is important to note that the amended Council's Supply Chain Management policy adopted on 13 July 2016, CR11022 on RPT160404, adopted to appropriate 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals (HDIs).

## BACKGROUND

After the pronouncement by the President, departments of Small Business Development, Economic Development, the Department of Trade and Industry (the DTI) and National Treasury convened:

Firstly, to identify the relevant prescripts within the empowerment legislation used to implement the directive. The PPPFA, more specifically, the Preferential Procurement Regulations were identified as the most suitable prescript to implement the pronouncement.

Secondly, to discuss content of the changes that would be required to effect the announcement in ensuring that Small Medium and Micro Enterprises benefit from public procurement.

## POLICY OBJECTIVE OF THE REGULATIONS

Government is committed to transformation and creation of a business environment conducive to all. The Preferential Procurement Regulations 2017 are premised on three interrelated government policy objectives:

- (i) Socio-economic transformation,
- (ii) Promotion of small enterprises, cooperatives, rural and township enterprises and
- (iii) To promotion of local industrial development.

The Preferential Procurement Regulations, 2011 were focused on aligning the aims of PPPFA and B-BBEE. The Preferential Procurement Regulations, 2017 provide an added advantage to:

- (i) designated groups and Small Medium and Micro Enterprises (SMMEs) also classified as Emerging Micro Enterprises (EMEs), which is a business with an annual turnover less than R10 million and
- (ii) Qualifying Small Enterprises (QSEs), which is a business with an annual turnover more than R10 million but less than R50 million;

in terms of B-BBEE Act and the Codes of Good Practice.

It is important to note that the amended Council's Supply Chain Management policy adopted on 13 July 2016, CR11022 on RPT160404, already address most of these changes.

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## OBJECTIVES OF THE POLICY

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*The principal objectives of the Council of uMhlathuze is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the City of uMhlathuze, whilst promoting black economic empowerment, "Local Content" which will be defined to specify businesses operating within the City of uMhlathuze which includes but not solely confined to achieving the following socio-economic principles:*

- *To stimulate and promote Local Economic Development in a targeted and focused manner;*
- *To promote resource efficiency and greening;*

- *To facilitate creation of employment and business opportunities for the people of uMhlathuze with particular reference to Historical Disadvantaged Individual's (HDIs) as cited in section 217 (2) of the Constitution of the Republic of South Africa Act 106 of 1996;*
- *To promote Local Content and the competitiveness of local businesses operating within the City of uMhlathuze;*
- *To increase the small business sector access, in general, to procurement business opportunities created by Council;*
- *To increase participation by small, medium and micro enterprises (SMME's), including cooperatives and*
- *To promote joint venture partnerships with businesses operating within the City of uMhlathuze.*
- *Foreign company with a partnership with the local company where the local company holds not less than 40% share on the project.*
- *To spend a minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals (HDIs) [youth, women, people disabilities within the jurisdiction of the City of uMhlathuze, through the application of Preferential Procurement Policy and relevant policies]*
  - 40% Youth
  - 40% Women
  - 20% People living with disabilities
- *Sub-contracting to a maximum of 25% on contracts of the approved budget per department. The 25% would be allocated to local black emerging contractor(s), local youth emerging contractor(s) inclusive of women and contractors of people with disabilities and co-operatives.*

#### **Main changes introduced by the revised Preferential Procurement Regulations:**

##### **1. Thresholds for application of preference points increased:**

- **80/20 preference points** – R30 000 up to R50million (Regulation 6)
- B-BBEE points for level 3 have been reduced from 16 to 14 to align with the amended codes.
- **90/10 preference points** – Above R50m (Regulation 7)
- B-BBEE points for level 3 have been reduced from 8 to 6 to align with the amended codes.

##### **2. Introduction of pre-qualification criteria based on B-BBEE levels of contribution (Regulation 4)**

Prequalification criteria may be used in selected tenders to advance designated groups on the basis of B-BBEE Status Level of contributor, EME or QSE or on the basis of subcontracting with EMEs or QSEs which are 51% owned by either of the following: Blacks; Black Youth; Black Women; Black people with disabilities; Black people living in rural or underdeveloped areas or townships; cooperatives owned by Black people; Black people who are military veterans

Therefore the introduction of prequalification criteria will allow the advancement of these selected categories of people by limiting competition only amongst them. Well established companies will also be able to compete if they meet further requirements of subcontracting to these groups should they (established company) be successful.

This is in keeping with national legislation and the empowerment agenda of government.

**3. The revised regulations require organs of state to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million.**

The tenderer must sub-contract a minimum of 30% of the value of the contract to EMEs or QSEs or EMEs or QSEs which are 51% owned by either of the following: Blacks; Black Youth; Black Women; Black people with disabilities; Black people living in rural or underdeveloped areas or townships; cooperatives owned by Black people; Black people who are military veterans.

Acknowledging that in the main, the high value tender in the region of R30 million and above tend to be awarded to established companies due to economies of scale and affordability, leaving out categories of aspiring businesses, the revised regulations requires all those with ability to deliver the required service to demonstrate the element of subcontracting to the categorised groups at a tendering stage. (Refer to regulation 9).

**Specific Changes: Changes to regulation 1: definitions**

The following definitions are added to the list of definitions in regulation1:

- Co-operative
- Proof of B-BBEE status
- QSE
- Rural area
- Township
- Youth

**Regulation 4: Prequalification criteria (new)**

This regulation is used to advance designated groups through:

- Prequalifying tenderers in terms of B-BBEE Status level
- Prequalification in terms of being an EME or QSE

Sub-contracting with the following designated groups:

- (i) An EME or QSE which is at least 51% Black Owned
- (ii) An EME or QSE which is at least 51% owned by black youth
- (iii) An EME or QSE which is at least 51% Black Women Owned
- (iv) An EME or QSE which is at least 51% owned by black people with disabilities
- (v) An EME or QSE which is 51% owned by black people living in rural or underdeveloped areas and / or townships
- (vi) A Cooperative which is at least 51% owned by black people.
- (vii) An EME or QSE which is at least 51% owned by black people who are military veterans

### **Regulation 9: compulsory subcontracting**

New Regulation aimed at empowering designated groups especially in sectors where there is a lack of transformation.

An organ of state must, in the case of selected tenders where it is feasible to sub-contract, apply compulsory sub-contracting to advance designated groups in contracts above R30 million.

That organ of state must advertise such tender with a specific tendering condition that the successful tenderer must sub-contract a minimum of 30% of the value of the contract to-

- (a) An EME or QSE:
  - (i) An EME or QSE which is at least 51% Black Owned;
  - (ii) An EME or QSE which is at least 51% owned by black youth;
  - (iii) An EME or QSE which is at least 51% Black Women Owned;
  - (iv) An EME or QSE which is at least 51% owned by black people with disabilities;
  - (v) An EME or QSE which is 51% owned by black people living in rural or underdeveloped areas and / or townships;
  - (vi) A Cooperative which is at least 51% owned by black people; and
  - (vii) An EME or QSE which is at least 51% owned by black people who are military veterans.

The list of designated groups mentioned in sub-regulation (2) (i) – (vii) must be made available by the organ of state selected from amongst suppliers registered on the Central Supplier Database of the National Treasury.

### **Subcontracting after award of the contract**

The regulation provides that subcontracting after award of the contract must be subject to approval from the organ of state. The regulation includes provisions which were provided for in Regulation 11 of the 2011 regulations related to 25% subcontracting and local production and content.

### **Regulation 13: cancellation of tender**

Provisions related to re-invitation of tender have been removed. Addition of sub-regulation related to cancellation of tender due to material irregularities.

Also addition of a provision that an organ of state may cancel a tender for the second time, only with the approval of the relevant treasury.

### **Regulation 14: Remedies**

The regulation has been enhanced to include sub-regulations related to:

Giving tenderer an opportunity to make submission. Informing the relevant treasury in writing of any actions taken against the tenderer. The responsibilities of the treasury after receiving documents from the organ of state concerned.

## 1.6 Operating Revenue Framework

The City of uMhlathuze requires sustainable revenue streams in order to improve the lives of its citizens. The City must continuously review revenue management processes to ensure that revenue is protected and the municipality has an ability to maximize the revenue generating potential of all revenue sources through adequate and effective controls and allow for investment opportunities that will accelerate economic growth in the city.

In comparison with the previous year, there are more favourable trends for the coming year, where it is observed that commodity prices have stabilised, drought conditions have improved across the country, electricity supply capacity has improved, giving less- burden to the consumer on tariff hikes due to infrastructure upgrades by Eskom.

The GDP is projected to increase from 0.5% in 2016 to 1.3% in 2017 with a moderate growth over the medium term with 2 per cent in 2018 and 2.2 per cent in 2019 (**Source - NT 2017/18 Budget Circular No. 86 – Annexure L2 – DMS 1192320**). There is a slight improvement in the economy. However, the economy is still constrained which compels projected revenue growth to be more consecutive which also impact on the collection level of the generated revenue.

The city is introducing the smart city concept by providing more digital solutions in terms of efficient services that are easy to access and use by consumers through the introduction of technological platforms in terms of consumer account enquiries, digital statements and user friendly online payment solutions.

In 2017/18 the City will be applying Tariff of Charges (TOC) for water trading service in two folds, drought tariffs will be charged until weather conditions have improved to an acceptable level and charge normal tariffs once the drought epidemic is over.

uMhlathuze Water Board introduced a penalty system that charges effluent non- compliance of water that gets discharged into the sea. The city has since developed an implementation plan to manage all industrial effluent discharge into the municipal sewage system by charging industries penalty fees in cases of non-compliance depending on the severity of the non-compliance. These charges will be incorporated in the 2017/18 tariff of Charges.

It is important to note that although the Trade Effluent Policy is included as **Annexure D4 – DMS 1194879**, the final policy will be submitted to Council for approval before the end of June 2017.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure an above 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by calculating the revenue requirement of each service this had to be adjusted to cater for affordable tariffs;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); and
- Increase ability to extend new services and recover costs where economically possible;
- The municipality's Indigent Policy and rendering of free basic services and subsidized services to both the destitute and poor consumers.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

**Table 4 Summary of revenue classified by main revenue source**

| Description<br>R thousand  | Current Year<br>2016/17<br>Adjusted<br>Budget | 2017/18 Medium Term Revenue &<br>Expenditure Framework |                           |                           |
|--|---|--|---------------------------|---------------------------|
|  |   | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Revenue By Source</u></b>                                      |   |  |                           |                           |
| Property rates   | 409 880                                       | 452 872  | 474 533                   | 507 317                   |
| Service charges - electricity revenue                                | 1 551 300                                     | 1 534 316  | 1 607 695                 | 1 718 763                 |
| Service charges - water revenue                                      | 306 100                                       | 309 982  | 324 809                   | 347 247                   |
| Service charges - sanitation revenue                                 | 85 320  | 92 006   | 96 409                    | 103 072                   |
| Service charges - refuse revenue                                     | 71 820  | 76 575   | 80 236                    | 85 780                    |
| Service charges - other  | –   | –  | –                         | –                         |
| Rental of facilities and equipment                                   | 13 580  | 8 008  | 7 350                     | 7 852                     |
| Interest earned - external investments                               | 32 511  | 41 942   | 42 040                    | 47 181                    |
| Interest earned - outstanding debtors                                | 50  | 53   | 55                        | 58                        |
| Dividends received   | –   | –  | –                         | –                         |
| Fines, penalties and forfeits  | 2 232   | 7 563  | 7 929                     | 8 424                     |
| Licences and permits   | 3 611   | 3 609  | 3 789                     | 3 978                     |
| Agency services  | 7 000   | 7 390  | 7 755                     | 8 142                     |
| Transfers and subsidies  | 296 993                                       | 326 359  | 353 998                   | 384 645                   |
| Other revenue  | 42 101  | 34 764   | 36 398                    | 38 902                    |
| Gains on disposal of PPE   | –   | –  | –                         | –                         |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>2 822 497</b>                              | <b>2 895 441</b>                                       | <b>3 042 996</b>          | <b>3 261 361</b>          |

**Table 5 Percentage proportion in revenue by main revenue source**

| Description<br>R thousand  | Current Year 2016/17 |             | 2017/18 Medium Term Revenue & Expenditure Framework |             |                        |             |                        |             |
|--|----------------------|-------------|---|-------------|------------------------|-------------|------------------------|-------------|
|  | Adjusted Budget      | %           | Budget Year 2017/18                                 | %           | Budget Year +1 2018/19 | %           | Budget Year +2 2019/20 | %           |
| <b>Revenue By Source</b>   |                      |             |   |             |                        |             |                        |             |
| Property rates   | 409 880              | 14.5%       | 452 872   | 15.6%       | 474 533                | 15.6%       | 507 317                | 15.6%       |
| Service charges - electricity revenue                                | 1 551 300            | 55.0%       | 1 534 316   | 53.0%       | 1 607 695              | 52.8%       | 1 718 763              | 52.7%       |
| Service charges - water revenue                                      | 306 100              | 10.8%       | 309 982   | 10.7%       | 324 809                | 10.7%       | 347 247                | 10.6%       |
| Service charges - sanitation revenue                                 | 85 320               | 3.0%        | 92 006  | 3.2%        | 96 409                 | 3.2%        | 103 072                | 3.2%        |
| Service charges - refuse revenue                                     | 71 820               | 2.5%        | 76 575  | 2.6%        | 80 236                 | 2.6%        | 85 780                 | 2.6%        |
| Rental of facilities and equipment                                   | 13 580               | 0.5%        | 8 008   | 0.3%        | 7 350                  | 0.2%        | 7 852                  | 0.2%        |
| Interest earned - external investments                               | 32 511               | 1.2%        | 41 942  | 1.4%        | 42 040                 | 1.4%        | 47 181                 | 1.4%        |
| Interest earned - outstanding debtors                                | 50                   | 0.0%        | 53  | 0.0%        | 55                     | 0.0%        | 58                     | 0.0%        |
| Fines, penalties and forfeits  | 2 232                | 0.1%        | 7 563   | 0.3%        | 7 929                  | 0.3%        | 8 424                  | 0.3%        |
| Licences and permits   | 3 611                | 0.1%        | 3 609   | 0.1%        | 3 789                  | 0.1%        | 3 978                  | 0.1%        |
| Agency services  | 7 000                | 0.2%        | 7 390   | 0.3%        | 7 755                  | 0.3%        | 8 142                  | 0.2%        |
| Transfers and subsidies  | 296 993              | 10.5%       | 326 359   | 11.3%       | 353 998                | 11.6%       | 384 645                | 11.8%       |
| Other revenue  | 42 101               | 1.5%        | 34 764  | 1.2%        | 36 398                 | 1.2%        | 38 902                 | 1.2%        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>2 822 497</b>     | <b>100%</b> | <b>2 895 441</b>                                    | <b>100%</b> | <b>3 042 996</b>       | <b>100%</b> | <b>3 261 361</b>       | <b>100%</b> |
| Total revenue from rates and service charges                         | 2 424 420            | 85.9%       | 2 465 752   | 85.2%       | 2 583 682              | 84.9%       | 2 762 178              | 84.7%       |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the City. The municipality will continue to significantly generate its own revenue and will only depend on the operational transfers to the equivalent of 11 per cent. Rates and service charges revenue comprise of 85 per cent of total operating revenue mix. In 2016/17, revenue from rates and service charges totalled R2.4 billion and is projected to increase to R2.5 billion in 2017/18 and steadily increase to R2.6 billion and R2.85 billion in 2018/19 and 2019/20 respectively.

Electricity service charges are the largest contributor towards municipal revenue in terms of turnover amounting to an average of 53 per cent over the MTREF. However, it needs to be noted that the actual revenue contributed by Electricity Service to municipal service delivery is the gross profit of Electricity Turnover less Bulk purchase cost this amounts to R 579 million in the 2017/18 financial year. There is a tangible growth in terms of a single new customer (Richards Bay Alloy Company). The tariffs were increased by 1.88 per cent for Electricity. Details in this regard are contained in Table 75 MBRR SA1 (see pages 164 to 167).

The second largest revenue source in the City is Property rates at a constant 15 per cent over the MTREF. Strategic turn is pivotal towards expanding rates base of the city and the rural arrears regulations need to be explored. The municipality is still prejudiced by the Traditional Authorities not yet forming part of the MPRA while geographically representing 47 per cent of the municipal jurisdiction.

The municipality is significantly dependent on electricity to cross subsidise Rates and General services. The revenue from Property Rates however has closed the gap and almost equals the gross profit that is made by the electricity trading service. This in essence now places the municipality in a better position towards sustainability as every rand raised in the rates and

general environment contributes more than the rand earned in sales of a service mainly because one is exchange revenue while the other is non-exchange revenue.

The trading service water is downsized by R3 million in 2017/18 when compared with the 2015/16 adjusted budget. This is attributed by the severe drought in the country and the patterns of consumptions have been forced to change downwards by both the households and industries in the area. The challenge here is that based on the fact that the bulk of the costs are fixed, the Water Service which is a trading service and meant to be making a surplus is now making a deficit. The Administration has to look at cutting costs in this service to make it self-sustaining

An insignificant source of revenue is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. The item segment Revenue classification of mSCOA has done away with the "other revenue" as a category and therefore specific detail will be provided going forward due to the financial reform. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. Yet the tariffs have in practice just been escalated by the inflation index as guided by the circular.

Operating grants and transfers totals R326 million in the 2017/18 financial year, steadily increases to R354 million in 2018/19 and to R385 million in 2019/20. Local Government Equitable Share will grow at an average annual rate of above 9 percent over the MTREF; this is as a result of funds that will be added in 2018/19 and 2019/20 to offset the cost pressures of water and sanitation and security services which continued to grow faster than inflation.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 6 Operating Transfers and Grant Receipts**

| Description<br>R thousand                    | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>RECEIPTS:</b>                             |   |                           |                           |
| <b><u>Operating Transfers and Grants</u></b> |   |                           |                           |
| <b>National Government:</b>                  | <b>314 163</b>                                      | <b>341 327</b>            | <b>371 510</b>            |
| Local Government Equitable Share             | 292 009   | 326 318                   | 355 898                   |
| Finance Management                           | 2 650   | 2 650                     | 2 650                     |
| EPWP Incentive                               | 4 143   | –                         | –                         |
| Project Management Unit                      | 5 437   | 5 759                     | 6 098                     |
| Infrastructure Skills Development Grant      | 6 500   | 6 600                     | 6 864                     |
| Municipal Demarcation Transitional Grant     | 3 424   | –                         | –                         |
| Municipal Infrastructure Grant (Roll-Over)   | –   | –                         | –                         |
| <b>Provincial Government:</b>                | <b>12 196</b>                                       | <b>12 671</b>             | <b>13 135</b>             |
| Museums                                      | 183   | 192                       | 202                       |
| Provincialisation of Libraries               | 7 881   | 8 275                     | 8 689                     |
| Libraries                                    | 1 504   | 1 576                     | 1 616                     |
| Housing                                      | 2 628   | 2 628                     | 2 628                     |
| <b>Total Operating Transfers and Grants</b>  | <b>326 359</b>                                      | <b>353 998</b>            | <b>384 645</b>            |

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

The City has strived to ensure that affordability takes preference over the just achieving the desired income from a tariff increases which would be counterproductive. The level of debt collection for the municipality has remained relatively consistent throughout the years and continuous improvement in this area is continuously sort.

The “traditional area customer base” has a notable outstanding debt increase which has been accumulative over the years. Indigent Support effective from 2017/18 will be rolled out to target those who cannot afford services who meet the requirements of an indigent consumer.

NERSA has approved 2.2 per cent increase for Eskom tariff charges which will result in less costs being transferred to the consumer as the bulk purchases incurred by the municipality will decrease significantly when compared to the previous year’s average increase of 8 per cent on bulk purchases.

Mhlanga Water bulk tariffs have increased by an average of 9.2 per cent which is far beyond the inflation target of 6.4 per cent. The drought and capital infrastructure planned upgrades by the Water board, has resulted in the tariff hike beyond CPI. This means consumer will continue to pay more on water if water conservations are not applied by the consumers.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### **1.6.1 Property Rates**

The property rates are levied in accordance with the Municipal Property Rates Act, 2004 (Act No.6 of 2004), (MPRA) and the Local Government Municipal Finance Management Act.

Property rates are based on values indicated in the General Valuation Roll 2013 (GV) and Supplemental valuation 2016 (SV). Effective from July 2017 new general valuation will be conducted with an implementation date of July 2018.

This will ensure that every new property development, improvements to existing properties and changes to property usage and other such influences are correctly processed and filtered to the billing system

Property rates are levied per individual property depending on the property value compared with the valuation of all rateable properties in the municipal area.

Rebates and concessions are granted to certain property categories based on usage or ownership as guided by the MPRA.

Property rates base is expected to increase moderately in 2017/18 MTREF due to housing projects underway and future planned city development projects that will increase the city’s rate base.

The following table stipulates the Property Rates Policy exemptions and rebates summary:

**Table 7 Property Rates Policy exemptions and rebates**

| Rates Category | Rebates, Exemptions and reductions   |
|----------------|--|
| RES            | R 15 000 Impermissible to all Developed Residential Properties                 |
|                | R 105 000 Reduction to all Residential Properties with a value below R 400 000 |
|                | R 150 000 Reduction to Pensioners  |
|                | Places of Worship Exempted as part of Legislation                              |
| BUS            | No rebates, exemptions or reductions   |
|                | Public Benefit Organisations – Regulated Ratio 1:0,25                          |
|                | Non-profit organisations – 20% Rebate upon successful application              |
| Agricultural   | 5% Rebate upon successful application  |
| PBO's          | Non-profit organisations – 20% Rebate upon successful application              |
| PSI            | 30% reduction as per Legislation   |
| Mining         | No rebates, exemptions or reductions   |
| Industrial     | No rebates, exemptions or reductions   |
| Vacant Land    | No rebates, exemptions or reductions   |

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a 6 per cent increase from 1 July 2016 is contained below:

**Table 8 Comparison of proposed rates to levied for the 2017/18 financial year**

| Category                                  | Current Tariff<br>(1 July 2016) | Proposed tariff<br>(from 1 July 2017) | Ratio to<br>Residential<br>Tariff |
|---|---------------------------------|---------------------------------------|-----------------------------------|
|   | c                               | c                                     |                                   |
| Residential Properties - Private          | 0.0083                          | 0.0091                                | 1 : 1                             |
| Residential Properties - Municipal        | 0.0000                          | 0.0091                                | 1 : 1                             |
| Residential Properties - State            | 0.0000                          | 0.0091                                | 1 : 1                             |
| Business / Commercial - Private           | 0.0173                          | 0.0191                                | 1 : 2,1                           |
| Business / Commercial - Municipal         | 0.0000                          | 0.0191                                | 1 : 2,1                           |
| Business / Commercial - State             | 0.0000                          | 0.0191                                | 1 : 2,1                           |
| Agricultural Properties - Private         | 0.0020                          | 0.0022                                | 1 : 0,25                          |
| Agricultural Properties - Municipal       | 0.0000                          | 0.0022                                | 1 : 0,25                          |
| Agricultural Properties - State           | 0.0000                          | 0.0022                                | 1 : 0,25                          |
| Industrial Properties - Private           | 0.0182                          | 0.0199                                | 1:2,2                             |
| Industrial Properties - Municipal         | 0.0000                          | 0.0199                                | 1:2,2                             |
| Industrial Properties - State             | 0.0000                          | 0.0199                                | 1:2,2                             |
| Mining - Private                          | 0.0190                          | 0.0209                                | 1:2,3                             |
| Mining - Municipal                        | 0.0000                          | 0.0209                                | 1:2,3                             |
| Mining - State                            | 0.0000                          | 0.0209                                | 1:2,3                             |
| Public Service Purposes (State Owned)     | 0.0095                          | 0.0105                                | 1:1,1                             |
| Vacant Land - Private                     | 0.0124                          | 0.0160                                | 1:1,75                            |
| Vacant Land - Municipal                   | 0.0000                          | 0.0160                                | 1:1,75                            |
| Vacant Land - State                       | 0.0000                          | 0.0160                                | 1:1,75                            |
| Public Service Infrastructure - Private   | 0.0020                          | 0.0022                                | 1:0,25                            |
| Public Service Infrastructure - Municipal | 0.0000                          | 0.0022                                | 1:0,25                            |
| Public Service Infrastructure - State     | 0.0000                          | 0.0022                                | 1:0,25                            |
| Public Benefit Organisations              | 0.0020                          | 0.0022                                | 1:0,25                            |
| Municipal Properties                      | 0.0000                          | 0.0091                                | 1 : 1                             |

### 1.6.2 Sale of Water and Impact of Tariff Increases

The resource scarcity on water due to drought that has hit the entire country is a challenge in the municipal revenue stream. It is therefore expected that due to changes in the consumption patterns downwards by consumers, revenue budgeted to be generated will also be downsized over the MTREF. The resource scarcity in water has had a direct impact on escalated input cost far beyond the inflation forecast of 6.4 per cent (**Source – NT 2017/18 Budget Circular No. 86 Annexure L2 – DMS 1192320**).

The traditional areas are the second challenge in terms of recovering the service provided in these arrears. The majority of the outstanding consumer debt is owed by the consumers from the traditional arrears for water consumed.

The City has made investigations to determine the root cause on the failure to recover the revenue and it was established that, as a result of diminishing infrastructure, water leaks and lack of consumer education, the city still need to invest more resources to turn around the current situation around.

In line with the initiative to ensure that residents pay for water and as the revenue enhancement strategy, the city has applied a targeted approach where the 6 kilolitre is provided to consumers who only use not more than 6 kl over 30 days period.

The tariffs for the 2017/18 MTREF are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion.

In light of the current drought experienced in the city, water tariffs are punitive and the penalty tariffs are incorporated in the Inclining Block Tariff (IBT) structure. Due to the climatic conditions, the city will continue to institute water restrictions as guided by the department of Water Affairs.

The restrictions are as follows as per department of Water Affairs recommendation:

| Category         | Level one Restrictions | Level two Restrictions | Level three Restrictions | Level four Restrictions |
|------------------|------------------------|------------------------|--------------------------|-------------------------|
| Industries       | 5%                     | 10%                    | 15%                      | 15%                     |
| Domestic Use     | 10%                    | 20%                    | 30%                      | 60%                     |
| Agricultural Use | 50%                    | 60%                    | 70%                      | 90%                     |

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 9 Proposed Water Tariffs**

| CATEGORY                          | CURRENT<br>TARIFFS<br>2016/17 | PROPOSED<br>TARIFFS<br>2017/18 |             |
|-----------------------------------|-------------------------------|--------------------------------|-------------|
|                                   |                               | Rand per kl                    | Rand per kl |
| RESIDENTIAL                       | Prices excluding VAT          | Prices excluding VAT           |             |
| 0 - 0.2 kl per day (0 - 6 kl)     | 0                             | 0                              |             |
| 0 - 0.2 kl per day (0 - 6 kl)     | 3,9432                        | 4,2981                         |             |
| 0.2 - 0.5 kl per day (7 - 15 kl)  | 4,7318                        | 5,1577                         |             |
| 0.5 - 1.0 kl per day (16 - 30 kl) | 11,0769                       | 12,0738                        |             |
| 1.0 - 2.0 kl per day (31 - 60 kl) | 14,6786                       | 15,9997                        |             |
| 2 and above kl per day (60+ kl)   | 19,1454                       | 20,8685                        |             |

| CATEGORY               | CURRENT<br>TARIFFS<br>2016/17 | PROPOSED<br>TARIFFS<br>2017/18 |
|------------------------|-------------------------------|--------------------------------|
|                        | Rand per kℓ                   | Rand per kℓ                    |
| <b>NON-RESIDENTIAL</b> |                               |                                |
| 0,0 - 0,5 kℓ per day   | 8,6766                        | 9,4575                         |
| 0,5 - 1,0 kℓ per day   | 12,6526                       | 13,7913                        |
| 1,0 - 2,0 kℓ per day   | 14,9427                       | 16,2875                        |
| above 2,0 kℓ per day   | 14,7600                       | 16,0884                        |

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

**Table 10 Comparison between current water charges and increases (Domestic)**

| Monthly consumption kℓ | Current amount 2016/17 Payable R | Proposed amount 2017/18 payable R | Difference (Increase) R | Percentage change |
|------------------------|----------------------------------|-----------------------------------|-------------------------|-------------------|
| 20                     | 221,54                           | 241,48                            | 19,94                   | 9%                |
| 30                     | 332,51                           | 362,21                            | 29,91                   | 9%                |
| 40                     | 587,14                           | 639,99                            | 52,84                   | 9%                |
| 50                     | 733,93                           | 799,99                            | 66,06                   | 9%                |
| 80                     | 1 531,63                         | 1 669,48                          | 137,85                  | 9%                |
| 100                    | 1 914,54                         | 2 086,85                          | 172,31                  | 9%                |

### 1.6.3 Sale of Electricity and Impact of Tariff Increases

The electricity tariff increases which the City has applied as per NERSA tariff guideline for 2017/18 have an increase of 1.88 per cent effective from the 1<sup>st</sup> of July 2017.

Registered indigents will again be granted 50 kWh per month.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

**Table 11 Comparison between current electricity charges and increases (Domestic)**

| Monthly Consumption kWh | Current amount 2016/17 payable R | Proposed amount 2017/18 payable R | Difference (Increase) R | Percentage change |
|-------------------------|----------------------------------|-----------------------------------|-------------------------|-------------------|
| 100                     | 107,15                           | 109,10                            | 1,95                    | 1,82%             |
| 250                     | 267,88                           | 272,75                            | 4,88                    | 1,82%             |
| 500                     | 751,35                           | 765,25                            | 13,90                   | 1,85%             |
| 750                     | 1 176,75                         | 1 198,50                          | 21,75                   | 1,85%             |
| 1 000                   | 1 569,00                         | 1 598,00                          | 18,10                   | 1,85%             |
| 2 000                   | 3 565,00                         | 3 631,60                          | 66,60                   | 1,87%             |

The municipality implements the inclining block tariff and this stepped tariff structure has a higher tariff as customer consumption increases. The aim is to subsidise the lower consumption users (mostly the poor) and to use the benchmark as provided by NERSA. The City has been implementing this inclining block tariff for the past three years and it causes an increase in the volumes of sales to be experienced during the first days of the month when the tariffs are in their first scale for prepaid customers. The municipality has opened third party channels to ensure convenience to those customers who wish to not be inconvenienced by long queues during these peak times.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the City. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the City's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Electrical Supply Services strives to provide sustainable and cost effective networks to support the forecast load growth. This is achieved by providing network-strengthening investment decisions to ensure network integrity and to maintain quality of supply criteria during normal and abnormal network configurations.

The City requires an estimated funding of R600 million over the MTREF for infrastructure asset upgrades and renewals to minimise the risk of revenue losses as a result of network or plant failure. It will also minimize the cost associated with loss of supply and injury or death to the public. Department of Energy and DBSA have been approached to assist with the funding in some of the critical projects identified as per council report **RPT 153971**.

The capital requirement mentioned above cannot be funded through municipal tariffs alone. Funding these necessary upgrades and renewals through increases in the municipal electricity tariff would be unaffordable for the consumers; hence, additional loans are necessary to fund the critical municipal infrastructure renewals

#### 1.6.4 Sanitation and Impact of Tariff Increases

A tariff increase of 7 per cent for sanitation from 1 July 2017 is proposed. This is based on the input cost assumptions related to water. Properties below the market value of R120 000 are not charged for sewerage discharged.

The following table compares the current and proposed tariffs:

**Table 12 Comparison between current sanitation charges and increases**

| Tariff Code | Detail  | 2016/17  |          | 2017/18  |          | %    |
|-------------|---|----------|----------|----------|----------|------|
|             |   | Excl VAT | Incl VAT | Excl VAT | Incl VAT |      |
| SN          | Rebate = 100%   | (7,72)   | (8,80)   | (8,26)   | (9,42)   | 7,00 |
|             | Valuation of Residential property value < R 120 000                             |          |          |          |          |      |
| SO          | Rebate = 25%  | (1,93)   | (2,20)   | (2,07)   | (2,36)   | 7,00 |
|             | Valuation of Residential property value R 120 001 to R 170 000                  |          |          |          |          |      |
| IA          | Rebate = 25%  | 7,72     | 8,80     | 8,26     | 9,42     | 7,00 |
|             | Valuation of Residential property value R 170 001 and above per kℓ as per bylaw |          |          |          |          |      |

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

**Table 13 Comparison between current sanitation charges and increases, single dwelling-houses**

| Monthly sanitation consumption kℓ | Current amount 2016/17 Payable R | Proposed amount 2017/18 payable R | Difference (7% increase) R |
|-----------------------------------|----------------------------------|-----------------------------------|----------------------------|
| 20                                | 154,40                           | 165,20                            | 10,89                      |

Refer to the comprehensive Tariff of Charges contained on **Annexure C (DMS 1203024)** for residential, business and undeveloped sites tariffs.

### 1.6.5 Waste Removal and Impact of Tariff Increases

Solid waste removal is operating marginally below break-even and is currently being subsidised by the Equitable Share Grant over the MTREF. The City will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are a drop in commercial and industrial consumers who are been serviced by Private Sector service providers. In addition there is an above inflationary increase in repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

The waste removal is proposed to increase by 7 per cent effective from July 2017.

The following table compares current and proposed amounts payable from 1 July 2017:

**Table 14 Comparison between current waste removal fees and increases**

| Tariff Code | Detail  | 2016/17                 |                         | 2017/18                 |                         | %  |
|-------------|---|-------------------------|-------------------------|-------------------------|-------------------------|----|
|             |   | Excl VAT                | Incl VAT                | Excl VAT                | Incl VAT                |    |
| RK          | Rebate = 100%   | 111,88 –<br>100% = 0,00 | 127,54 –<br>100% = 0,00 | 119,71 –<br>100% = 0,00 | 136,47 –<br>100% = 0,00 | 0% |
|             | Refuse valuation sliding scale, Residential property value < R 110 000 (R 120 000 for 2017/18)                        |                         |                         |                         |                         |    |
| RL          | Rebate = 25%  | 111,88 –<br>25% = 0,00  | 127,54 –<br>25% = 0,00  | 119,71 –<br>25% = 0,00  | 136,47 –<br>25% = 0,00  | 7% |
|             | Refuse valuation sliding scale Residential property value R 110 001 to R 170 000 (R 120 001 to R 170 000 for 2017/18) |                         |                         |                         |                         |    |
| IA          | Refuse valuation sliding scale Residential property value R 170 001 – R 400 000                                       | 111,88                  | 127,54                  | 119,71                  | 136,47                  | 7% |
| IA          | Refuse valuation sliding scale Residential property value R 400 001 – R 600 000                                       | 112,37                  | 128,10                  | 120,24                  | 137,07                  | 7% |
| IA          | Refuse valuation sliding scale Residential property value R 600 001 – R 800 000                                       | 112,87                  | 128,67                  | 120,77                  | 137,68                  | 7% |
| IA          | Refuse valuation sliding scale Residential property value R 800 001 – R 1 000 000                                     | 113,37                  | 129,24                  | 121,83                  | 138,89                  | 7% |
| IA          | Refuse valuation sliding scale Residential property value R 1 000 001 – R 1 500 000                                   | 113,86                  | 129,80                  | 121,83                  | 138,89                  | 7% |
| IA          | Refuse valuation sliding scale Residential property value R 1 500 001 and above                                       | 114,35                  | 130,36                  | 122,35                  | 139,48                  | 7% |
| RM          | Residential – Basic Tariff  | 111,88                  | 127,54                  | 119,71                  | 136,47                  | 7% |

### 1.6.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a medium and an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to 7 per cent including indigent households, excluding electricity tariffs.

*Middle income household range is defined as:*

- property value of R700 000;
- 1 000 kWh electricity; and
- 30kl water.

*Affordable household range is defined as:*

- property value of R500 000;
- 500 kWh electricity; and
- 25kl water

*Indigent household is defined as:*

- property value of R 300 000;
- 350 kWh electricity; and
- 20kl water (50 kWh electricity and 6 kl water free).

**Table 15 MBRR SA14 – Household bills**

| Description  | Current Year<br>2016/17 | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                           |                           |
|--|-------------------------|---|------------------------|---------------------------|---------------------------|
|  | Adjusted<br>Budget      | Budget Year<br>2017/18<br>% incr.                   | Budget Year<br>2017/18 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| Rand/cent  |                         |   |                        |                           |                           |
| <u><b>Monthly Account for Household - 'Middle Income Range'</b></u>                              |                         |   |                        |                           |                           |
| <b>Rates and services charges:</b>   |                         |   |                        |                           |                           |
| Property rates   | 473.79                  | 10.0%   | 521.17                 | 547.23                    | 574.59                    |
| Electricity: Consumption   | 1 366.70                | 1.8%  | 1 391.85               | 1 461.44                  | 1 534.51                  |
| Water: Basic levy  | 18.60                   | 9.0%  | 20.27                  | 21.28                     | 22.35                     |
| Water: Consumption   | 232.40                  | 9.0%  | 253.31                 | 265.98                    | 279.28                    |
| Sanitation   | 154.40                  | 7.0%  | 165.20                 | 173.46                    | 182.13                    |
| Refuse removal   | 112.87                  | 7.0%  | 120.77                 | 126.81                    | 133.15                    |
| sub-total  | <b>2 358.76</b>         | <b>4.8%</b>   | <b>2 472.57</b>        | <b>2 596.20</b>           | <b>2 726.01</b>           |
| VAT on Services  | 263.90                  |   | 273.20                 | 286.86                    | 301.20                    |
| <b>Total large household bill:</b>   | <b>2 622.66</b>         | <b>4.7%</b>   | <b>2 745.77</b>        | <b>2 883.06</b>           | <b>3 027.21</b>           |
| % increase/-decrease   | -                       |   | 4.7%                   | 5.0%                      | 5.0%                      |
| <u><b>Monthly Account for Household - 'Affordable Range'</b></u>                                 |                         |   |                        |                           |                           |
| <b>Rates and services charges:</b>   |                         |   |                        |                           |                           |
| Property rates   | 335.46                  | 10.0%   | 369.00                 | 387.45                    | 406.83                    |
| Electricity: Consumption   | 739.10                  | 1.8%  | 752.65                 | 790.28                    | 829.80                    |
| Water: Basic levy  | 18.60                   | 9.0%  | 20.27                  | 21.28                     | 22.35                     |
| Water: Consumption   | 177.01                  | 9.0%  | 192.95                 | 202.59                    | 212.72                    |
| Sanitation   | 154.40                  | 7.0%  | 165.20                 | 173.46                    | 182.13                    |
| Refuse removal   | 112.37                  | 7.0%  | 120.24                 | 126.25                    | 132.56                    |
| sub-total  | <b>1 536.94</b>         | <b>5.4%</b>   | <b>1 620.31</b>        | <b>1 701.31</b>           | <b>1 786.39</b>           |
| VAT on Services  | 168.21                  |   | 175.18                 | 183.94                    | 193.14                    |
| <b>Total small household bill:</b>   | <b>1 705.15</b>         | <b>5.3%</b>   | <b>1 795.49</b>        | <b>1 885.25</b>           | <b>1 979.53</b>           |
| % increase/-decrease   | -                       |   | 5.3%                   | 5.0%                      | 5.0%                      |
|  | -1.00                   |   |                        |                           |                           |
| <u><b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b></u> |                         |   |                        |                           |                           |
| <b>Rates and services charges:</b>   |                         |   |                        |                           |                           |
| Property rates   | 131.42                  | 10.0%   | 144.56                 | 151.79                    | 159.38                    |
| Electricity: Consumption   | 10.72                   | 1.8%  | 10.91                  | 11.46                     | 12.03                     |
| Water: Basic levy  | 18.60                   | 9.0%  | 20.27                  | 21.28                     | 22.35                     |
| Water: Consumption   | 97.97                   | 9.0%  | 106.79                 | 112.13                    | 117.73                    |
| Sanitation   | 154.40                  | 7.0%  | 165.20                 | 173.46                    | 182.13                    |
| Refuse removal   | 111.88                  | 7.0%  | 119.71                 | 125.70                    | 131.98                    |
| sub-total  | <b>524.99</b>           | <b>8.1%</b>   | <b>567.44</b>          | <b>595.82</b>             | <b>625.60</b>             |
| VAT on Services  | 55.10                   |   | 59.20                  | 62.16                     | 65.27                     |
| <b>Total small household bill:</b>   | <b>580.09</b>           | <b>8.0%</b>   | <b>626.64</b>          | <b>657.98</b>             | <b>690.87</b>             |
| % increase/-decrease   | -                       |   | 8.0%                   | 5.0%                      | 5.0%                      |

## 1.7 Operating Expenditure Framework

The City's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Given that one of the primary drivers of this budget is to keep tariff increases with the inflationary envelope of 6 per cent, expenditure allocations in excess of the 2016/17 Adjustments budget are very limited;
- Despite the above restriction the Chief Financial Officer has ensured that Repairs and Maintenance provisions are within best practice parameters of 8 per cent of Asset Cost and 13 per cent of Operating Expenditure. The weakness here however is that there is no Municipal wide asset repairs and maintenance plan. Repairs and Maintenance is done in silo's hence it lacks in synergistic benefit of ensuring budget allocations are used efficiently and effectively;
- Related to the above weakness the capital programme carries the risk of not ensuring that the asset renewal strategy and backlog eradication is achieved in this budget;
- Funding of the budget over the medium-term is informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of "no project plan no budget". If there is no business plan no funding allocation can be made.
- 

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

**Table 16 Summary of operating expenditure by standard classification item**

| Description<br>R thousand         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|-----------------------------------|---|---------------------------|---------------------------|
|                                   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Expenditure By Type</u></b> |   |                           |                           |
| Employee related costs            | 728 269   | 784 743                   | 850 081                   |
| Remuneration of councillors       | 29 147  | 31 188                    | 33 218                    |
| Debt impairment                   | 26 388  | 27 707                    | 29 092                    |
| Depreciation & asset impairment   | 376 848   | 401 636                   | 427 900                   |
| Finance charges                   | 73 401  | 72 194                    | 69 073                    |
| Bulk purchases                    | 1 074 886   | 1 101 637                 | 1 192 238                 |
| Other materials                   | 160 405   | 172 710                   | 181 522                   |
| Contracted services               | 151 897   | 158 112                   | 167 141                   |
| Transfers and subsidies           | 11 729  | 12 323                    | 12 808                    |
| Other expenditure                 | 249 775   | 264 245                   | 279 776                   |
| Loss on disposal of PPE           | –   | –                         | –                         |
| <b>Total Expenditure</b>          | <b>2 882 744</b>                                    | <b>3 026 496</b>          | <b>3 242 848</b>          |

The budgeted allocation for **employee related costs** for the 2017/18 financial year totals R 728 million, which equals 25 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.5 per cent for the 2017/18 financial year. An annual increase of 7 and 6.5 per cent has been included in the two outer years of the MTREF.

The challenge with the organizational structure is that it is designed for that of an aspirant metro and hence has many vacancies (R122m worth) which cannot be filled as there is no corresponding increase in the economy i.e. in the tax base. Consequently the associated risk is that there may be many organizational and municipal service delivery activities, which pre-restructuring were performed by one official and with the current vacuum of vacancies some of those functions may now not be performed.

The possible risk in the total Human Resource structure is if one adds both contracted services and employee related costs together, this figure amounts to 31 per cent of the operating budget, which although the 33 per cent norm for local government, does indicate a lack of skills within the Administration and a tendency to outsource.

One of the overriding solutions here is that of a Municipal Grading in the first instance and an organogram suited for such grading for the administration. Since 2000 the structure of the organogram is dictated by the influences of the different Councils over the years and different managers, hence no collectively and best practice structured staff structure. The correct grading will rationalize this anomaly and ensure the trajectory of future posts created and filled is done properly.

Senior management has agreed in principle that no provision would be made in the 2017/18 and the subsequent two outer years for previously unfunded posts until such time the impact of the Job evaluation exercise and the subsequent implementation of the Wage Curve agreement is known.

The cost associated with the **remuneration of councillors** is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). An increase of 7.5 per cent has been budgeted for the 2017/18 financial year.

**The provision of debt impairment** was determined based on an annual collection rate of 96 per cent and the Debt Write-off Policy of the City. For the 2017/18 financial year this amount is R26.4 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. The accounting requirement of not writing bad debt to the provision but rather depicting an actual expense in the year of the write off may cause the City to review the estimates upwards in line with actual consumer trends at period reviews of the debtors. The amounts budgeted for also do not include the subsequent measure of Traffic fines which was a material impairment with the implementation of iGRAP 1.

**Provision for depreciation and asset impairment** has been informed by the Municipality's Financial Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R377 million for the 2017/18 financial and equates to 13 per cent of the total operating expenditure.

**Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges on the budget make up 3 per cent (R73 million) of operating expenditure excluding annual redemption.

**Bulk purchases** are directly informed by the purchase of electricity from Eskom and water from Mhlanga Water Board. The annual price increases have been factored into the budget appropriations. Of the R1 075 million total electricity comprises R 955 million and water R120 million. The expenditure includes distribution losses.

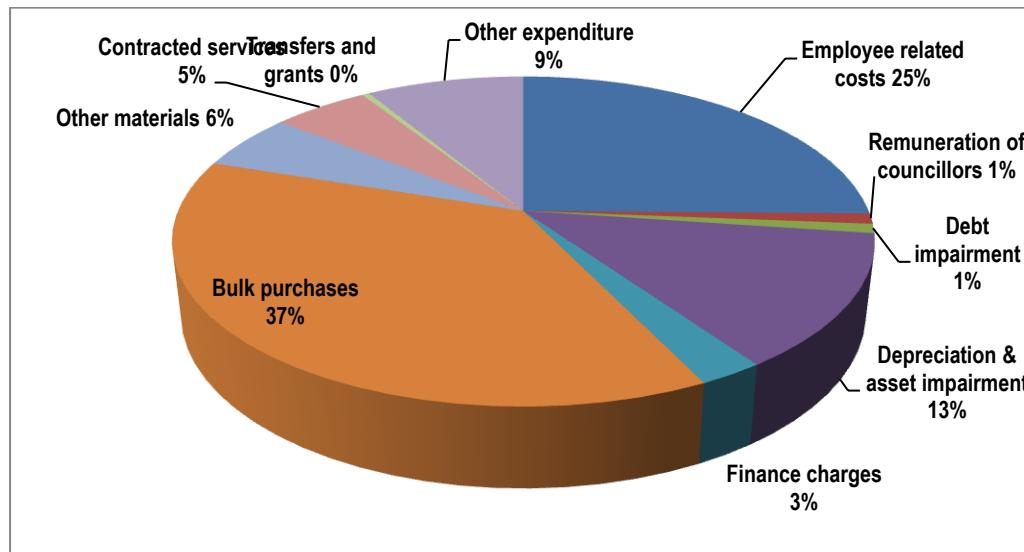
**Other materials** comprise the purchase, of materials for maintenance. In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. The appropriation against this group of expenditure has grown, however further effort will be made in the outer years to increase this appropriation over and above the inflationary boundaries.

**Contracted Services** has increased by 15 per cent and needs to be looked at critically, but in conjunction with Employee Related Costs. Contracted services together with Employee Related Costs amount to 30% (25 % + 5%) of total operating cost. There is a direct relationship between the efficiency and effectiveness of personnel versus that of the private sector, with the common fact between both sectors lying with level of management of resources they have at their disposal.

**Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Minimum growth has been allowed here for the 2017/18 year with a 2 per cent allowed.

Further details relating to contracted services can be seen in Table 75 MBRR SA1 (see pages 164 to 167).

The following figure gives a breakdown of the main expenditure categories for the 2017/18 financial year.



**Figure 1 Main operational expenditure categories for the 2017/18 financial year**

### 1.7.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance. The weakness however in this environment is that there is no Municipal wide asset renewal strategy and repairs and maintenance plan of the City. In terms of the Municipal Budget and

Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 17 Operational repairs and maintenance**

| Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>R thousand</b>                                  |   |                           |                           |
| <b>Repairs and Maintenance by Expenditure Item</b> |   |                           |                           |
| Employee related costs                             | 373 892   | 401 955                   | 429 666                   |
| Other materials                                    | 67 995  | 78 847                    | 82 825                    |
| Contracted Services                                | 92 409  | 93 864                    | 98 696                    |
| <b>Total Repairs and Maintenance Expenditure</b>   | <b>534 296</b>                                      | <b>574 665</b>            | <b>611 188</b>            |

During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the City's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was increased marginally by 25 per cent in the 2017/18 financial year, from R 427 million to R 534 million. In relation to the total operating expenditure, **repairs and maintenance** as a percentage of Total operating expenditure comprises the following **18.5; 19.9 and 20.2 per cent** of the respective financial years MTREF. In addition, repairs and maintenance as a percentage of PPE comprises of **10.2; 11 and 11.4 per cent** of the respective financial years MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 18 Repairs and maintenance per asset class**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Repairs and maintenance expenditure by Asset Class/Sub-class</b> |   |                           |                           |
| <b>Infrastructure</b>   | <b>394 413</b>                                      | <b>425 616</b>            | <b>452 784</b>            |
| Roads Infrastructure  | 91 356  | 96 177                    | 101 362                   |
| Storm water Infrastructure  | 30 794  | 28 787                    | 30 314                    |
| Electrical Infrastructure   | 122 835   | 139 810                   | 149 543                   |
| Water Supply Infrastructure   | 91 027  | 99 138                    | 106 014                   |
| Sanitation Infrastructure   | 54 242  | 57 339                    | 60 968                    |
| Rail Infrastructure   | 1 117   | 1 171                     | 1 227                     |
| Information and Communication Infrastructure                        | 3 043   | 3 195                     | 3 355                     |
| <b>Community Assets</b>   | <b>69 734</b>                                       | <b>74 074</b>             | <b>78 842</b>             |
| <b>Other assets</b>   | <b>17 663</b>                                       | <b>19 337</b>             | <b>20 646</b>             |
| <b>Computer Equipment</b>   | 798   | 838                       | 880                       |
| <b>Furniture and Office Equipment</b>                               | 28  | 29                        | 32                        |
| <b>Machinery and Equipment</b>                                      | 17 956  | 18 986                    | 19 980                    |
| <b>Transport Assets</b>   | 33 705  | 35 787                    | 38 025                    |
| <b>Total Repairs and Maintenance Expenditure</b>                    | <b>534 296</b>                                      | <b>574 665</b>            | <b>611 188</b>            |
| <b>R&amp;M as a % of PPE</b>  | 10.2%   | 11.0%                     | 11.4%                     |
| <b>R&amp;M as % Operating Expenditure</b>                           | 18.5%   | 19.9%                     | 20.2%                     |

For the 2017/18 financial year, 74 per cent or R 394 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling at 23 per cent (R 122 million) followed by road transport infrastructure at 17 per cent (R 91.4 million), then water infrastructure also at 17 per cent (R 91 million) and sanitation at 10 per cent (R54 million). Community assets has been allocated R 70 million of total repairs and maintenance equating to 13 per cent. Transport assets has been allocated R 34 million (6 per cent).

### 1.7.2 Free Basic Services: Basic Social Services Package

The social package assists households that are indigent and poor or face other circumstances that limit their ability to pay for services.

The existing relief measures employed for our indigent and poor, handicapped and pension consumer relief are as follows:

- 50 KWH (units) of electricity free for applicants whose usage of electricity amounts to an average of no more than 1 800 units per annum.
- Free water for consumers that consume 200 Litres and less per day for a month or the first 6 000 litres of water per month.
- When a consumer use **more** than the 200 Litres per day for a month then they **pay for all water consumed**
- Free rates if property value is less than R120 000.
- Free refuse charge if property is valued less than R120 000.
- Free sewer charge if property is valued less than R 120 000.

- All rural communities have strategically placed refuse skips wherein refuse can be placed free of charge.
- By implication the very nature of property valuation allows rates payable by communities living in less formal area to be minimal.
- Targeted indigent support for very poor and child run households.

Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 35 MBRR A10 (Basic Service Delivery Measurement) on page 80.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act together with the tiered tariff approach.

It bears noting that the limitation of the Municipal Property Rates Act on Traditional Areas reduces the ability of the Municipality to generate revenue required for the provision of services in general.

The tiered municipal tariffs also provide for an element of cross subsidisation on the tariffs themselves as per the below table:

**Table 19 2017/18 Cross subsidisation versus Free Basic Services**

**Summary**

| Source       | Free               | Subsidy            | Total              |
|--------------|--------------------|--------------------|--------------------|
| Waste        | 14 943 068         | 1 192 275          | 16 135 343         |
| Sanitation   | 21 536 614         | 5 829 619          | 27 366 233         |
| Rates        | 0                  | 23 870 053         | 23 870 053         |
| Rates        | 0                  | 19 967 121         | 19 967 121         |
| Water        | 89,055,031         | 121 226 224        | 210,281,255        |
| Electricity  | 921 197            | 4 775 517          | 5 696 714          |
| <b>Total</b> | <b>126 455 911</b> | <b>176 860 809</b> | <b>303 316 720</b> |

The municipality is receiving equitable share of R 292 million in 2017/18 while the municipal social package is R303.3 million. The municipality uses some of its internally generated funds to bridge the shortfall.

## 1.8 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 20 2017/18 Medium-term capital budget per vote**

| R thousand                              | Vote Description                              | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---|---------------------------|---------------------------|
|   |   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital Expenditure - Functional</b> |   |   |                           |                           |
|   | <b>Governance and administration</b>          | 100 299   | 126 907                   | 58 125                    |
|   | Executive and council                         | 119   | 220                       | 182                       |
|   | Finance and administration                    | 100 180   | 126 687                   | 57 943                    |
|   | Internal audit                                | –   | –                         | –                         |
|   | <b>Community and public safety</b>            | 66 037  | 51 822                    | 45 993                    |
|   | Community and social services                 | 48 774  | 24 280                    | 17 208                    |
|   | Sport and recreation                          | 16 248  | 27 342                    | 28 575                    |
|   | Public safety                                 | 275   | –                         | –                         |
|   | Housing                                       | –   | –                         | –                         |
|   | Health  | 740   | 200                       | 210                       |
|   | <b>Economic and environmental services</b>    | 95 607  | 110 404                   | 131 147                   |
|   | Planning and development                      | 4 797   | 9 702                     | 17 842                    |
|   | Road transport                                | 90 810  | 100 702                   | 113 305                   |
|   | Environmental protection                      | –   | –                         | –                         |
|   | <b>Trading services</b>                       | 259 313   | 277 642                   | 312 889                   |
|   | Energy sources                                | 82 142  | 89 488                    | 123 483                   |
|   | Water management                              | 88 133  | 112 917                   | 113 112                   |
|   | Waste water management                        | 86 538  | 73 737                    | 75 214                    |
|   | Waste management                              | 2 500   | 1 500                     | 1 080                     |
|   | <b>Other</b>                                  | –   | –                         | –                         |
|   | <b>Total Capital Expenditure - Functional</b> | 521 255   | 566 774                   | 548 154                   |
| <b>Funded by:</b>                       |   |   |                           |                           |
|   | National Government                           | 147 305   | 165 414                   | 195 862                   |
|   | Provincial Government                         | –   | –                         | –                         |
|   | District Municipality                         | –   | –                         | –                         |
|   | Other transfers and grants                    | –   | –                         | –                         |
|   | <b>Transfers recognised - capital</b>         | 147 305   | 165 414                   | 195 862                   |
|   | <b>Public contributions &amp; donations</b>   | –   | –                         | –                         |
|   | <b>Borrowing</b>                              | 100 000   | 100 000                   | –                         |
|   | <b>Internally generated funds</b>             | 273 950   | 301 360                   | 352 292                   |
|   | <b>Total Capital Funding</b>                  | 521 255   | 566 774                   | 548 154                   |

For 2017/18 an amount of R343 million has been appropriated for the development of infrastructure which represents 66 per cent of the total capital budget. In the outer years this amount totals R388 million, 68 per cent and R 445 million, 81 per cent respectively for each of the financial years. Water infrastructure receives the highest allocation of R90 million in 2017/18 which equates to 26 per cent followed by road transport at 26 per cent, R88 million, waste water

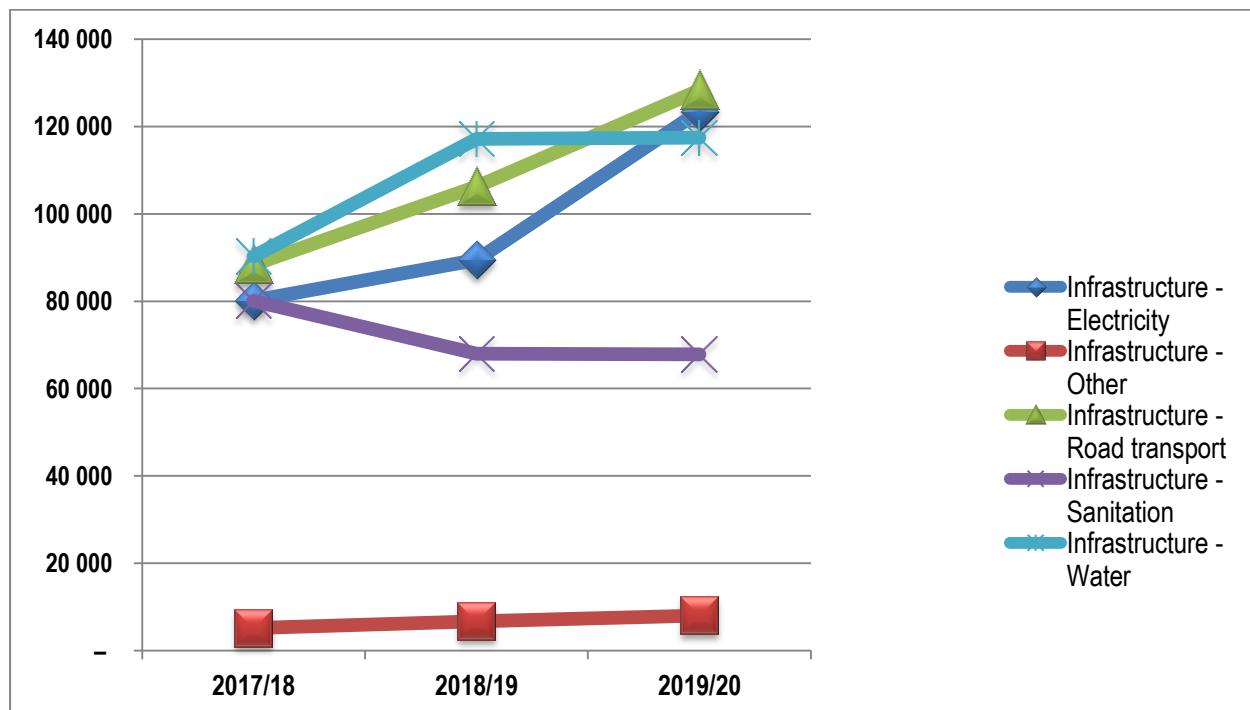
infrastructure at 23 per cent, R80 million and then electricity infrastructure at 23 per cent, R80 million.

Total new assets represent 37 per cent or R 192 million of the total capital budget, asset renewal equates to 21 per cent or R 111 million and upgrade of existing assets 8 per cent or R 40 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 33 MBRR A9 (Asset Management) on page 75. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c, d and e provides a detailed breakdown of the capital programme relating to new asset construction; capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 145 to 146, 147, 148, 149 to 150 and 151).

Furthermore pages 154 to 161 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 2 Capital Infrastructure Programme**

## 1.9 Annual Budget Tables

The following pages present the ten **main** budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the following page.

**Table 21 MBRR Table A1 - Budget Summary**

| Description<br>R thousands   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Financial Performance</b>   |   |                           |                           |
| Property rates   | 452 872   | 474 533                   | 507 317                   |
| Service charges  | 2 012 880   | 2 109 149                 | 2 254 862                 |
| Investment revenue   | 41 942  | 42 040                    | 47 181                    |
| Transfers recognised - operational                                   | 326 359   | 353 998                   | 384 645                   |
| Other own revenue  | 61 387  | 63 276                    | 67 356                    |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>2 895 441</b>                                    | <b>3 042 996</b>          | <b>3 261 361</b>          |
| Employee costs   | 728 269   | 784 743                   | 850 081                   |
| Remuneration of councillors  | 29 147  | 31 188                    | 33 218                    |
| Depreciation & asset impairment                                      | 376 848   | 401 636                   | 427 900                   |
| Finance charges  | 73 401  | 72 194                    | 69 073                    |
| Materials and bulk purchases   | 1 235 291   | 1 274 347                 | 1 373 759                 |
| Transfers and grants   | 11 729  | 12 323                    | 12 808                    |
| Other expenditure  | 428 059   | 450 064                   | 476 009                   |
| <b>Total Expenditure</b>   | <b>2 882 744</b>                                    | <b>3 026 496</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit)</b>   | <b>12 697</b>                                       | <b>16 500</b>             | <b>18 513</b>             |
| Transfers and subsidies - capital (monetary allocations)             | 147 305   | 165 414                   | 195 862                   |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>160 002</b>                                      | <b>181 914</b>            | <b>214 375</b>            |
| <b>Surplus/(Deficit) for the year</b>                                | <b>160 002</b>                                      | <b>181 914</b>            | <b>214 375</b>            |
| <b>Capital expenditure &amp; funds sources</b>                       |   |                           |                           |
| Capital expenditure  | 521 255   | 566 774                   | 548 154                   |
| Transfers recognised - capital                                       | 147 305   | 165 414                   | 195 862                   |
| Borrowing  | 100 000   | 100 000                   | –                         |
| Internally generated funds   | 273 950   | 301 360                   | 352 292                   |
| <b>Total sources of capital funds</b>                                | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            |
| <b>Financial position</b>  |   |                           |                           |
| Total current assets   | 1 045 974   | 991 010                   | 981 864                   |
| Total non current assets   | 5 378 415   | 5 543 562                 | 5 663 825                 |
| Total current liabilities  | 609 060   | 553 665                   | 572 422                   |
| Total non current liabilities  | 793 014   | 837 755                   | 793 774                   |
| Community wealth/Equity  | 5 022 314   | 5 143 151                 | 5 279 492                 |
| <b>Cash flows</b>  |   |                           |                           |
| Net cash from (used) operating                                       | 493 905   | 538 711                   | 593 638                   |
| Net cash from (used) investing                                       | (499 283)   | (557 670)                 | (551 878)                 |
| Net cash from (used) financing                                       | (58 864)  | (59 365)                  | (78 531)                  |
| <b>Cash/cash equivalents at the year end</b>                         | <b>527 936</b>                                      | <b>449 612</b>            | <b>412 841</b>            |
| <b>Cash backing/surplus reconciliation</b>                           |   |                           |                           |
| Cash and investments available                                       | 527 936   | 449 612                   | 412 841                   |
| Application of cash and investments                                  | 329 983   | 365 965                   | 392 395                   |
| <b>Balance - surplus (shortfall)</b>                                 | <b>197 952</b>                                      | <b>83 648</b>             | <b>20 446</b>             |

**Table MBRR Table A1 - Budget Summary (continued)**

| Description<br>R thousands                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Asset management</u></b>                       |   |                           |                           |
| Asset register summary (WDV)                         | 5 375 531   | 5 540 669                 | 5 660 922                 |
| Depreciation   | 376 848   | 401 636                   | 427 900                   |
| Renewal of Existing Assets                           | 121 516   | 152 155                   | 151 386                   |
| Repairs and Maintenance                              | 534 296   | 574 665                   | 611 188                   |
| <b><u>Free services</u></b>                          |   |                           |                           |
| Cost of Free Basic Services provided                 | 139 456   | 146 429                   | 153 750                   |
| Revenue cost of free services provided               | 187 932   | 197 328                   | 207 195                   |
| <b><u>Households below minimum service level</u></b> |   |                           |                           |
| Water:   | 0   | 0                         | 0                         |
| Sanitation/sewerage:                                 | 5   | 5                         | 5                         |
| Energy:  | 1   | 1                         | 1                         |
| Refuse:  | 17  | 15                        | 13                        |

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the municipality has been paying attention to managing this aspect of its finances, and consequently its obligations are cash-backed. This places the municipality in a very positive financial position. To strengthen this favourable position, Council has adopted an Investment, Working Capital and Capital Replacement Reserves Policy.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase however it needs to be noted that this table does not cater for the cross subsidisation value of the lower end tariffs in the tiered structure of basic service charges. **This implies that the values reflected as Free Basic Services and the revenue cost are in reality much higher should one include the cross-subsidisation that takes place within the lower end of the tariffs. In addition, the municipality continues to make progress in addressing service delivery backlogs.**

**Table 22 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

| Functional Classification Description<br>R thousand | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue - Functional</b>                         |   |                           |                           |
| <b>Governance and administration</b>                | <b>516 745</b>                                      | <b>535 828</b>            | <b>574 972</b>            |
| Executive and council                               | 3 605   | 190                       | 203                       |
| Finance and administration                          | 513 140   | 535 639                   | 574 769                   |
| <b>Community and public safety</b>                  | <b>39 785</b>                                       | <b>40 702</b>             | <b>42 898</b>             |
| Community and social services                       | 13 374  | 12 993                    | 13 652                    |
| Sport and recreation                                | 21 435  | 22 636                    | 24 031                    |
| Public safety                                       | 844   | 875                       | 924                       |
| Housing   | 4 131   | 4 199                     | 4 290                     |
| <b>Economic and environmental services</b>          | <b>51 039</b>                                       | <b>49 220</b>             | <b>51 894</b>             |
| Planning and development                            | 18 249  | 14 637                    | 15 389                    |
| Road transport                                      | 32 782  | 34 573                    | 36 495                    |
| Environmental protection                            | 9   | 9                         | 10                        |
| <b>Trading services</b>                             | <b>2 434 467</b>                                    | <b>2 581 917</b>          | <b>2 786 665</b>          |
| Energy sources                                      | 1 547 750   | 1 621 705                 | 1 763 194                 |
| Water management                                    | 497 298   | 538 963                   | 569 073                   |
| Waste water management                              | 254 413   | 275 719                   | 297 406                   |
| Waste management                                    | 135 006   | 145 530                   | 156 991                   |
| <b>Other</b>  | <b>711</b>  | <b>744</b>                | <b>796</b>                |
| <b>Total Revenue - Functional</b>                   | <b>3 042 745</b>                                    | <b>3 208 410</b>          | <b>3 457 223</b>          |
| <b>Expenditure - Functional</b>                     |   |                           |                           |
| <b>Governance and administration</b>                | <b>80 213</b>                                       | <b>82 588</b>             | <b>88 458</b>             |
| Executive and council                               | 20 343  | 18 071                    | 19 250                    |
| Finance and administration                          | 59 857  | 64 503                    | 69 192                    |
| Internal audit                                      | 13  | 14                        | 16                        |
| <b>Community and public safety</b>                  | <b>300 109</b>                                      | <b>326 184</b>            | <b>353 097</b>            |
| Community and social services                       | 75 063  | 82 098                    | 89 327                    |
| Sport and recreation                                | 142 190   | 154 334                   | 166 806                   |
| Public safety                                       | 63 537  | 69 174                    | 74 937                    |
| Housing   | 19 319  | 20 578                    | 22 028                    |
| <b>Economic and environmental services</b>          | <b>377 736</b>                                      | <b>395 006</b>            | <b>418 405</b>            |
| Planning and development                            | 83 041  | 82 540                    | 88 016                    |
| Road transport                                      | 285 214   | 302 081                   | 319 072                   |
| Environmental protection                            | 9 481   | 10 385                    | 11 317                    |
| <b>Trading services</b>                             | <b>2 118 031</b>                                    | <b>2 215 676</b>          | <b>2 375 479</b>          |
| Energy sources                                      | 1 286 997   | 1 338 834                 | 1 445 889                 |
| Water management                                    | 455 578   | 479 415                   | 505 147                   |
| Waste water management                              | 248 348   | 261 099                   | 278 665                   |
| Waste management                                    | 127 108   | 136 329                   | 145 778                   |
| <b>Other</b>  | <b>6 655</b>  | <b>7 042</b>              | <b>7 409</b>              |
| <b>Total Expenditure - Functional</b>               | <b>2 882 744</b>                                    | <b>3 026 497</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit) for the year</b>               | <b>160 002</b>                                      | <b>181 913</b>            | <b>214 375</b>            |

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 16 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. **Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.**
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure. However, if the capital revenues (Transfers recognised – capital) is removed from the calculation of the surpluses for each trading service, water service is running at an R 19m deficit.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources. **The major concern here is that all services other than two of the trading services are now running at an R 189.7 million deficit. You will not notice this in Table A2 as the capital transfers distort the actual revenue. Refer to Table 26 for the actual calculation. This implies that the whole Municipality has a high risk dependency on Electricity Income, given that Water has a deficit and the surpluses on the other trading service are marginal.**

**Table 23 MBRR Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification - Detail)**

| Functional Classification Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue - Functional</b>   |   |                           |                           |
| <i>Municipal governance and administration</i>                                |   |                           |                           |
| Executive and council   | <b>516 745</b>                                      | <b>535 828</b>            | <b>574 972</b>            |
| <i>Mayor and Council</i>  | 3 605   | 190                       | 203                       |
| <i>181</i>  | <i>181</i>  | <i>190</i>                | <i>203</i>                |
| Finance and administration  | 513 140   | 535 639                   | 574 769                   |
| <i>Finance</i>  | 506 547   | 528 734                   | 567 395                   |
| <i>Human Resources</i>  | 13  | 13                        | 14                        |
| <i>Information Technology</i>   | 335   | 351                       | 375                       |
| <i>Marketing, Customer Relations, Publicity and Media Co-ordination</i>       | 3 576   | 3 749                     | 4 000                     |
| <i>Property Services</i>  | 1 626   | 1 704                     | 1 822                     |
| <i>Supply Chain Management</i>  | 767   | 798                       | 854                       |
| <b>Community and public safety</b>  | <b>39 785</b>                                       | <b>40 702</b>             | <b>42 898</b>             |
| Community and social services   | 13 374  | 12 993                    | 13 652                    |
| <i>Cemeteries, Funeral Parlours and Crematoriums</i>                          | 549   | 568                       | 600                       |
| <i>Community Halls and Facilities</i>   | 2 867   | 1 971                     | 2 106                     |
| <i>Libraries and Archives</i>   | 9 767   | 10 253                    | 10 735                    |
| <i>Museums and Art Galleries</i>  | 192   | 201                       | 212                       |
| Sport and recreation  | 21 435  | 22 636                    | 24 031                    |
| <i>Fire Fighting and Protection</i>   | 844   | 875                       | 924                       |
| Housing   | 4 131   | 4 199                     | 4 290                     |
| <i>Housing</i>  | 4 131   | 4 199                     | 4 290                     |
| <b>Economic and environmental services</b>                                    | <b>51 039</b>                                       | <b>49 220</b>             | <b>51 894</b>             |
| Planning and development  | 18 249  | 14 637                    | 15 389                    |
| <i>Town Planning, Building Regulations and Enforcement, and City Engineer</i> | 2 101   | 2 207                     | 2 351                     |
| <i>Project Management Unit</i>  | 16 148  | 12 430                    | 13 039                    |
| Road transport  | 32 782  | 34 573                    | 36 495                    |
| <i>Police Forces, Traffic and Street Parking Control</i>                      | 2 768   | 2 905                     | 3 056                     |
| <i>Road and Traffic Regulation</i>  | 11 054  | 11 602                    | 12 182                    |
| <i>Roads</i>  | 18 953  | 20 060                    | 21 250                    |
| <i>Taxi Ranks</i>   | 6   | 7                         | 7                         |
| Environmental protection  | 9   | 9                         | 10                        |
| <i>Pollution Control</i>  | 9   | 9                         | 10                        |

**Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification - Detail) – (Continued)**

| Functional Classification Description<br>R thousand                     | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue - Functional</b>   |   |                           |                           |
| <i>Trading services</i>   |   |                           |                           |
| Energy sources  | 2 434 467   | 2 581 917                 | 2 786 665                 |
| <i>Electricity</i>  | 1 547 750   | 1 621 705                 | 1 763 194                 |
| <i>Street Lighting and Signal Systems</i>                               | 1 547 737   | 1 621 691                 | 1 763 179                 |
|   | 13  | 14                        | 15                        |
| Water management  | 497 298   | 538 963                   | 569 073                   |
| <i>Water Treatment</i>  | 33 769  | 35 374                    | 37 787                    |
| <i>Water Distribution</i>   | 463 529   | 503 589                   | 531 287                   |
| Waste water management  | 254 413   | 275 719                   | 297 406                   |
| <i>Sewerage</i>   | 254 413   | 275 719                   | 297 406                   |
| Waste management  | 135 006   | 145 530                   | 156 991                   |
| <i>Solid Waste Removal</i>  | 134 999   | 145 523                   | 156 984                   |
| <i>Street Cleaning</i>  | 6   | 7                         | 7                         |
| <i>Other</i>  | 711   | 744                       | 796                       |
| Air Transport   | 697   | 730                       | 781                       |
| Licensing and Regulation  | 13  | 14                        | 15                        |
| <b>Total Revenue - Functional</b>                                       | <b>3 042 745</b>                                    | <b>3 208 410</b>          | <b>3 457 223</b>          |
| <b>Expenditure - Functional</b>   |   |                           |                           |
| <i>Municipal governance and administration</i>                          |   |                           |                           |
| Executive and council   | 80 213  | 82 588                    | 88 458                    |
| <i>Mayor and Council</i>  | 20 343  | 18 071                    | 19 250                    |
| <i>Municipal Manager, Town Secretary and Chief Executive</i>            | 538   | 571                       | 606                       |
|   | 19 805  | 17 500                    | 18 644                    |
| Finance and administration  | 59 857  | 64 503                    | 69 192                    |
| <i>Administrative and Corporate Support</i>                             | 1 280   | 1 362                     | 1 445                     |
| <i>Asset Management</i>   | 1 378   | 1 474                     | 1 571                     |
| <i>Budget and Treasury Office</i>                                       | 9 080   | 9 383                     | 9 816                     |
| <i>Finance</i>  | 6 259   | 6 692                     | 7 128                     |
| <i>Fleet Management</i>   | (190)   | 369                       | 703                       |
| <i>Human Resources</i>  | 5 089   | 5 452                     | 5 827                     |
| <i>Information Technology</i>   | 3 881   | 4 182                     | 4 495                     |
| <i>Legal Services</i>   | 5 928   | 6 330                     | 6 736                     |
| <i>Marketing, Customer Relations, Publicity and Media Co-ordination</i> | 12 332  | 13 277                    | 14 245                    |
| <i>Property Services</i>  | 1 742   | 1 891                     | 2 045                     |
| <i>Risk Management</i>  | 1 319   | 1 407                     | 1 496                     |
| <i>Security Services</i>  | 7 643   | 8 307                     | 9 038                     |
| <i>Supply Chain Management</i>  | 751   | 803                       | 856                       |
| <i>Valuation Service</i>  | 3 365   | 3 575                     | 3 793                     |

**Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification - Detail) – (Continued)**

| Functional Classification Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Expenditure - Functional</b>   |   |                           |                           |
| Internal audit  | 13  | 14                        | 16                        |
| <i>Governance Function</i>  | 13  | 14                        | 16                        |
| <b>Community and public safety</b>  | <b>300 109</b>                                      | <b>326 184</b>            | <b>353 097</b>            |
| Community and social services   | 75 063  | 82 098                    | 89 327                    |
| <i>Cemeteries, Funeral Parlours and Crematoriums</i>                          | 11 118  | 11 841                    | 12 589                    |
| <i>Community Halls and Facilities</i>   | 33 119  | 36 800                    | 40 584                    |
| <i>Disaster Management</i>  | 2 258   | 2 629                     | 3 022                     |
| <i>Libraries and Archives</i>   | 22 585  | 24 439                    | 26 314                    |
| <i>Museums and Art Galleries</i>  | 5 982   | 6 389                     | 6 817                     |
| Sport and recreation  | 142 190   | 154 334                   | 166 806                   |
| <i>Beaches and Jetties</i>  | 17 508  | 18 806                    | 20 048                    |
| <i>Community Parks (including Nurseries)</i>                                  | 61 608  | 66 727                    | 71 887                    |
| <i>Recreational Facilities</i>  | 33 084  | 35 519                    | 37 999                    |
| <i>Sports Grounds and Stadiums</i>  | 29 990  | 33 282                    | 36 872                    |
| Public safety   | 63 537  | 69 174                    | 74 937                    |
| <i>Fire Fighting and Protection</i>   | 63 537  | 69 174                    | 74 937                    |
| Housing   | 19 319  | 20 578                    | 22 028                    |
| <i>Housing</i>  | 19 319  | 20 578                    | 22 028                    |
| <b>Economic and environmental services</b>                                    | <b>377 736</b>                                      | <b>395 006</b>            | <b>418 405</b>            |
| Planning and development  | 83 041  | 82 540                    | 88 016                    |
| <i>Billboards</i>   | 1 576   | 1 675                     | 1 777                     |
| <i>Corporate Wide Strategic Planning (IDPs, LEDs)</i>                         | 16 894  | 16 528                    | 17 565                    |
| <i>Development Facilitation</i>   | 2 420   | 2 541                     | 2 640                     |
| <i>Economic Development/Planning</i>  | 20 895  | 22 348                    | 23 828                    |
| <i>Town Planning, Building Regulations and Enforcement, and City Engineer</i> | 12 105  | 13 238                    | 14 398                    |
| <i>Project Management Unit</i>  | 29 151  | 26 209                    | 27 809                    |
| Road transport  | 285 214   | 302 081                   | 319 072                   |
| <i>Police Forces, Traffic and Street Parking Control</i>                      | 48 205  | 51 743                    | 55 333                    |
| <i>Road and Traffic Regulation</i>  | 12 361  | 13 216                    | 14 079                    |
| <i>Roads</i>  | 220 810   | 232 944                   | 245 123                   |
| <i>Taxi Ranks</i>   | 3 838   | 4 179                     | 4 538                     |
| Environmental protection  | 9 481   | 10 385                    | 11 317                    |
| <i>Pollution Control</i>  | 9 481   | 10 385                    | 11 317                    |

**Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification - Detail) – (Continued)**

| Functional Classification Description<br>R thousand | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Expenditure - Functional</b>                     |   |                           |                           |
| <i>Trading services</i>                             |   |                           |                           |
| Energy sources                                      | 2 118 031   | 2 215 676                 | 2 375 479                 |
| <i>Electricity</i>                                  | 1 286 997   | 1 338 834                 | 1 445 889                 |
| <i>Street Lighting and Signal Systems</i>           | 1 229 924   | 1 277 871                 | 1 380 875                 |
|   | 57 074  | 60 963                    | 65 014                    |
| Water management                                    | 455 578   | 479 415                   | 505 147                   |
| <i>Water Treatment</i>                              | 234 368   | 248 276                   | 263 161                   |
| <i>Water Distribution</i>                           | 221 210   | 231 139                   | 241 986                   |
| Waste water management                              | 248 348   | 261 099                   | 278 665                   |
| <i>Public Toilets</i>                               | 2 046   | 2 336                     | 2 632                     |
| <i>Sewerage</i>                                     | 167 734   | 178 508                   | 190 330                   |
| <i>Storm Water Management</i>                       | 24 719  | 23 036                    | 24 875                    |
| <i>Waste Water Treatment</i>                        | 53 850  | 57 219                    | 60 828                    |
| Waste management                                    | 127 108   | 136 329                   | 145 778                   |
| <i>Solid Waste Removal</i>                          | 89 196  | 95 776                    | 102 549                   |
| <i>Street Cleaning</i>                              | 37 911  | 40 553                    | 43 229                    |
| <i>Other</i>  | 6 655   | 7 042                     | 7 409                     |
| Air Transport                                       | 807   | 817                       | 827                       |
| Licensing and Regulation                            | 1 491   | 1 593                     | 1 696                     |
| Tourism   | 4 357   | 4 633                     | 4 886                     |
| <b>Total Expenditure - Functional</b>               | <b>2 882 744</b>                                    | <b>3 026 497</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit) for the year</b>               | <b>160 002</b>                                      | <b>181 913</b>            | <b>214 375</b>            |

**Table 24 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue by Vote</b>   |   |                           |                           |
| Vote 1 - CITY DEVELOPMENT  | 6 231   | 6 406                     | 6 641                     |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 149 693   | 160 933                   | 173 177                   |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 32 612  | 34 360                    | 36 328                    |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 5 050   | 4 257                     | 4 551                     |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | 6   | 7                         | 7                         |
| Vote 6 - FINANCIAL SERVICES  | 507 314   | 529 533                   | 568 248                   |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 1 547 750   | 1 621 705                 | 1 763 194                 |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 751 711   | 814 682                   | 866 479                   |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 18 953  | 20 060                    | 21 250                    |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 16 425  | 12 720                    | 13 348                    |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 7 000   | 3 749                     | 4 000                     |
| <b>Total Revenue by Vote</b>   | <b>3 042 745</b>                                    | <b>3 208 410</b>          | <b>3 457 223</b>          |
| <b>Expenditure by Vote to be appropriated</b>                                    |   |                           |                           |
| Vote 1 - CITY DEVELOPMENT  | 79 356  | 83 441                    | 89 138                    |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 277 507   | 299 399                   | 321 853                   |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 204 221   | 221 251                   | 238 702                   |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 11 477  | 12 949                    | 14 467                    |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | 4 059   | 4 350                     | 4 646                     |
| Vote 6 - FINANCIAL SERVICES  | 17 468  | 18 352                    | 19 371                    |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 1 286 997   | 1 338 834                 | 1 445 889                 |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 677 161   | 715 141                   | 756 305                   |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 245 528   | 255 979                   | 269 998                   |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 43 923  | 42 926                    | 46 303                    |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 35 046  | 33 874                    | 36 177                    |
| <b>Total Expenditure by Vote</b>   | <b>2 882 744</b>                                    | <b>3 026 497</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit) for the year</b>  | <b>160 002</b>                                      | <b>181 913</b>            | <b>214 375</b>            |

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the City. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 25 MBRR Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail)**

| R thousand  | Vote Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|--|---|---------------------------|---------------------------|
|   |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue by Vote</b>  |  |   |                           |                           |
|   | <b>Vote 1 - CITY DEVELOPMENT</b>   | <b>6 231</b>  | <b>6 406</b>              | <b>6 641</b>              |
| 1.1 - FX005001014 - Valuation Service (Finance and Administration)  |  | –   | –                         | –                         |
| 1.2 - FX007001001 - Housing (Housing)   |  | 4 131   | 4 199                     | 4 290                     |
| 1.3 - FX009002006 - Tourism (Other)   |  | –   | –                         | –                         |
| 1.4 - FX010001002 - Corporate Wide Strategic Planning (IDPs, LEDs) (Planning and Development)                         |  | –   | –                         | –                         |
| 1.5 - FX010001004 - Development Facilitation (Planning and Development)   |  | –   | –                         | –                         |
| 1.6 - FX010001005 - Economic Development/Planning (Planning and Development)  |  | –   | –                         | –                         |
| 1.7 - FX010001006 - Town Planning, Building Regulations and Enforcement, and City Engineer (Planning and Development) |  | 2 101   | 2 207                     | 2 351                     |
|   | <b>Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY</b>                | <b>149 693</b>                                      | <b>160 933</b>            | <b>173 177</b>            |
| 2.1 - FX001002008 - Disaster Management (Community and Social Services)   |  | –   | –                         | –                         |
| 2.2 - FX003001003 - Pollution Control (Environmental Protection)  |  | 9   | 9                         | 10                        |
| 2.3 - FX005001006003 - Occupational Clinic (Finance and Administration)   |  | 6   | 7                         | 7                         |
| 2.4 - FX005001012 - Security Services (Finance and Administration)  |  | –   | –                         | –                         |
| 2.5 - FX011001005 - Fire Fighting and Protection (Public Safety)  |  | 844   | 875                       | 924                       |
| 2.6 - FX012001001 - Police Forces, Traffic and Street Parking Control (Road Transport)                                |  | 2 768   | 2 905                     | 3 056                     |
| 2.7 - FX012001005 - Taxi Ranks (Road Transport)   |  | 6   | 7                         | 7                         |
| 2.8 - FX012002001 - Non-Road and Traffic Regulation (Road Transport)  |  | 11 054  | 11 602                    | 12 182                    |
| 2.9 - FX014001003 - Solid Waste Removal (Waste Management)  |  | 134 999   | 145 523                   | 156 984                   |
| 2.10 - FX014001004 - Street Cleansing (Waste Management)  |  | 6   | 7                         | 7                         |
| 2.11 - FX015001001 - Public Toilets (Waste Water Management)  |  | –   | –                         | –                         |
|   | <b>Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES</b> | <b>32 612</b>                                       | <b>34 360</b>             | <b>36 328</b>             |
| 3.1 - FX013001003 - Cemeteries, Funeral Parlours and Crematoriums (Community and Social Services)                     |  | 549   | 568                       | 600                       |
| 3.2 - FX001001005002 - Halls (Community and Social Services)  |  | 670   | 702                       | 751                       |
| 3.3 - FX001001006001 - Libraries and Archives (Community and Social Services)   |  | 8 263   | 8 677                     | 9 119                     |
| 3.4 - FX001001006002 - Cyber Cadets (Community and Social Services)   |  | 1 504   | 1 576                     | 1 616                     |
| 3.5 - FX001001008 - Museums and Art Galleries (Community and Social Services)   |  | 192   | 201                       | 212                       |
| 3.6 - FX013001001 - Beaches and Jetties (Community and Social Services)   |  | 46  | 48                        | 51                        |
| 3.7 - FX013001002 - Community Parks (including Nurseries) (Sport and Recreation)                                      |  | 4 993   | 5 234                     | 5 596                     |
| 3.8 - FX013002003001 - Recreational Facilities - Caravan Park (Sport and Recreation)                                  |  | 245   | 255                       | 270                       |
| 3.9 - FX013002003002 - Recreational Facilities - Parks Administration (Sport and Recreation)                          |  | –   | –                         | –                         |
| 3.10 - FX013002003003 - Recreational Facilities - Swimming Pools (Sport and Recreation)                               |  | 541   | 567                       | 606                       |
| 3.11 - FX013002004001 - Sport Development and Sportfields (Sport and Recreation)                                      |  | 15 610  | 16 532                    | 17 508                    |
| 3.12 - FX013002004002 - Sports Grounds and Stadiums - Stadiums (Sport and Recreation)                                 |  | –   | –                         | –                         |

**Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail) – (Continued)**

| R thousand  | Vote Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|--|---|---------------------------|---------------------------|
|   |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue by Vote</b>  |  |   |                           |                           |
|   | <b>Vote 4 - CORPORATE SERVICES - ADMINISTRATION</b>                                | <b>5 050</b>  | <b>4 257</b>              | <b>4 551</b>              |
| 4.1 - FX001001005003 - Municipal Buildings (Community and Social Services)              | 2 197  | 1 269   | 1 356                     |                           |
| 4.2 - FX004001001001 - Mayor and Council (Executive and Council)                        | 181  | 190   | 203                       |                           |
| 4.3 - FX005001001 - Administrative and Corporate Support (Finance and Administration)   | –  | –   | –                         |                           |
| 4.4 - FX005001007 - Information Technology (Finance and Administration)                 | 335  | 351   | 375                       |                           |
| 4.5 - FX005001008 - Legal Services (Finance and Administration)                         | –  | –   | –                         |                           |
| 4.6 - FX005001010 - Property Services (Finance and Administration)                      | 1 626  | 1 704   | 1 822                     |                           |
| 4.7 - FX009001002 - Air Transport (Other)   | 697  | 730   | 781                       |                           |
| 4.8 - FX009001004 - Licensing and Regulation (Other)                                    | 13   | 14  | 15                        |                           |
|   | <b>Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES</b>                               | <b>6</b>  | <b>7</b>                  | <b>7</b>                  |
| 5.1 - FX005001006001 - Human Resources (Finance and Administration)                     | –  | –   | –                         |                           |
| 5.2 - FX005001006002 - Management Services (Finance and Administration)                 | –  | –   | –                         |                           |
| 5.3 - FX005001006004 - Training and Industrial Relations (Finance and Administration)   | 6  | 7   | 7                         |                           |
|   | <b>Vote 6 - FINANCIAL SERVICES</b>   | <b>507 314</b>                                      | <b>529 533</b>            | <b>568 248</b>            |
| 6.1 - FX005001003001 - Financial Management Grant Interns (Finance and Administration)  | 2 650  | 2 650   | 2 650                     |                           |
| 6.2 - FX005001003002 - Revenue and Expenditure (Finance and Administration)             | 503 897  | 526 084   | 564 745                   |                           |
| 6.3 - FX005001004 - Finance (Finance and Administration)                                | –  | –   | –                         |                           |
| 6.4 - FX005001013 - Supply Chain Management (Finance and Administration)                | 767  | 798   | 854                       |                           |
| 6.5 - FX005002001 - Asset Management (Finance and Administration)                       | –  | –   | –                         |                           |
|   | <b>Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES</b> | <b>1 547 750</b>                                    | <b>1 621 705</b>          | <b>1 763 194</b>          |
| 7.1 - FX002001001001 - Marketing and Customer relations (Energy Sources)                | –  | –   | –                         |                           |
| 7.2 - FX002001001002 - Administration (Energy Sources)                                  | –  | –   | –                         |                           |
| 7.3 - FX002001001004 - Electricity and Gas Distribution and Planning (Energy Sources)   | 1 547 737  | 1 621 691   | 1 763 179                 |                           |
| 7.4 - FX002001001005 - Electricity Planning (Energy Sources)                            | –  | –   | –                         |                           |
| 7.5 - FX002001002001 - Street Lighting (Energy Sources)                                 | –  | –   | –                         |                           |
| 7.6 - FX002001002002 - Process Control Systems (Energy Sources)                         | 13   | 14  | 15                        |                           |
|   | <b>Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION</b>       | <b>751 711</b>                                      | <b>814 682</b>            | <b>866 479</b>            |
| 8.1 - FX015001002001 - Sewerage - Industrial Effluent Pipeline (Waste Water Management) | 2 147  | 2 244   | 2 389                     |                           |
| 8.2 - FX015001002002 - Sewerage - Pumpstations (Waste Water Management)                 | 32   | 33  | 35                        |                           |
| 8.3 - FX015001002003 - Sewerage - Sewerage Network (Waste Water Management)             | 252 234  | 273 442   | 294 982                   |                           |
| 8.4 - FX015001004 - Treatment (Waste Water Management)                                  | –  | –   | –                         |                           |
| 8.5 - FX016001001001 - Water Treatment - Clarified Water (Water Management)             | 28 351   | 29 702  | 31 723                    |                           |
| 8.6 - FX016001001002 - Water Treatment - Purification works (Water Management)          | 6  | 7   | 7                         |                           |
| 8.7 - FX016001001003 - Water Treatment - Scientific Services (Water Management)         | 5 411  | 5 665   | 6 057                     |                           |
| 8.8 - FX016001002001 - Water Distribution - Rural Water (Water Management)              | 35 001   | 37 071  | 39 256                    |                           |
| 8.9 - FX016001002002 - Water Distribution - Urban Water (Water Management)              | 428 528  | 466 518   | 492 031                   |                           |
| 8.10 - FX016001002003 - Water Distribution - Water Demand Management (Water Management) | –  | –   | –                         |                           |

**Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail) – (Continued)**

| R thousand             | Vote Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|------------------------|--|---|---------------------------|---------------------------|
|                        |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue by Vote</b> |  |   |                           |                           |
|                        | <b>Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER</b>                              | <b>18 953</b>                                       | <b>20 060</b>             | <b>21 250</b>             |
|                        | 9.1 - FX012001004001 - Roads - Railway Sidings (Road Transport)  | 1 053   | 1 102                     | 1 174                     |
|                        | 9.2 - FX012001004002 - Roads - Urban Roads (Road Transport)  | 17 900  | 18 958                    | 20 076                    |
|                        | 9.3 - FX012001004003 - Roads - Rural Roads (Road Transport)  | -   | -                         | -                         |
|                        | 9.4 - FX015001003 - Storm Water Management (Waste Water Management)  | -   | -                         | -                         |
|                        | <b>Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES</b>                                | <b>16 425</b>                                       | <b>12 720</b>             | <b>13 348</b>             |
|                        | 10.1 - FX001001005001 - Buildings Maintenance (Community and Social Services)  | -   | -                         | -                         |
|                        | 10.2 - FX005001005 - Fleet Management (Finance and Administration)   | 276   | 290                       | 310                       |
|                        | 10.3 - FX010001007001 - Project Management Unit - Administration (Planning and Development)                          | -   | -                         | -                         |
|                        | 10.4 - FX010001007002 - Project Management Unit - Asset Management (Planning and Development)                        | 62  | 65                        | 69                        |
|                        | 10.5 - FX010001007003 - Project Management Unit - Expanded Public Works Programme (Planning and Development)         | 4 143   | -                         | -                         |
|                        | 10.6 - FX010001007004 - Project Management Unit - Infrastructure Skills Development Grant (Planning and Development) | 6 500   | 6 600                     | 6 864                     |
|                        | 10.7 - FX010001007005 - Project Management Unit - PMU (Planning and Development)                                     | 5 444   | 5 765                     | 6 105                     |
|                        | <b>Vote 11 - OFFICE OF THE MUNICIPAL MANAGER</b>   | <b>7 000</b>  | <b>3 749</b>              | <b>4 000</b>              |
|                        | 11.1 - FX004001002001 - DMM - Corporate Services (Executive and Council)   | -   | -                         | -                         |
|                        | 11.2 - FX004001002002 - DMM - ITS (Executive and Council)  | -   | -                         | -                         |
|                        | 11.3 - FX004001002003 - DMM - City Development (Executive and Council)   | -   | -                         | -                         |
|                        | 11.4 - FX004001002004 - DMM - Community Services (Executive and Council)   | -   | -                         | -                         |
|                        | 11.5 - FX004001002005 - Municipal Manager (Executive and Council)  | -   | -                         | -                         |
|                        | 11.6 - FX004001002006 - Municipal Demarcation Transition Grant (Executive and Council)                               | 3 424   | -                         | -                         |
|                        | 11.7 - FX004001002007 - Performance Management (Executive and Council)   | -   | -                         | -                         |
|                        | 11.8 - FX005001009 - Marketing, Customer Relations, Publicity and Media Co-ordination (Finance and Administration)   | 3 576   | 3 749                     | 4 000                     |
|                        | 11.9 - FX005001011 - Risk Management (Finance and Administration)  | -   | -                         | -                         |
|                        | 11.10 - FX008001001 - Governance Function (Internal Audit)   | -   | -                         | -                         |
|                        | 11.11 - FX010001001 - Billboards (Planning and Development)  | -   | -                         | -                         |
|                        | <b>Total Revenue by Vote</b>   | <b>3 042 745</b>                                    | <b>3 208 410</b>          | <b>3 457 223</b>          |

**Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail) – (Continued)**

| R thousand  | Vote Description                 | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|----------------------------------|---|---------------------------|---------------------------|
|   |                                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Expenditure by Vote</u></b>   |                                  |   |                           |                           |
|   | <b>Vote 1 - CITY DEVELOPMENT</b> | <b>79 356</b>                                       | <b>83 441</b>             | <b>89 138</b>             |
| 1.1 - FX005001014 - Valuation Service (Finance and Administration)  |                                  | 3 365   | 3 575                     | 3 793                     |
| 1.2 - FX007001001 - Housing (Housing)   |                                  | 19 319  | 20 578                    | 22 028                    |
| 1.3 - FX009002006 - Tourism (Other)   |                                  | 4 357   | 4 633                     | 4 886                     |
| 1.4 - FX010001002 - Corporate Wide Strategic Planning (IDPs, LEDs) (Planning and Development)                         |                                  | 16 894  | 16 528                    | 17 565                    |
| 1.5 - FX010001004 - Development Facilitation (Planning and Development)   |                                  | 2 420   | 2 541                     | 2 640                     |
| 1.6 - FX010001005 - Economic Development/Planning (Planning and Development)  |                                  | 20 895  | 22 348                    | 23 828                    |
| 1.7 - FX010001006 - Town Planning, Building Regulations and Enforcement, and City Engineer (Planning and Development) |                                  | 12 105  | 13 238                    | 14 398                    |
| <b>Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY</b>   | <b>277 507</b>                   | <b>299 399</b>                                      | <b>321 853</b>            |                           |
| 2.1 - FX001002008 - Disaster Management (Community and Social Services)   |                                  | 2 258   | 2 629                     | 3 022                     |
| 2.2 - FX003001003 - Pollution Control (Environmental Protection)  |                                  | 9 481   | 10 385                    | 11 317                    |
| 2.3 - FX005001006003 - Occupational Clinic (Finance and Administration)   |                                  | 1 029   | 1 102                     | 1 181                     |
| 2.4 - FX005001012 - Security Services (Finance and Administration)  |                                  | 7 643   | 8 307                     | 9 038                     |
| 2.5 - FX011001005 - Fire Fighting and Protection (Public Safety)  |                                  | 63 537  | 69 174                    | 74 937                    |
| 2.6 - FX012001001 - Police Forces, Traffic and Street Parking Control (Road Transport)                                |                                  | 48 205  | 51 743                    | 55 333                    |
| 2.7 - FX012001005 - Taxi Ranks (Road Transport)   |                                  | 3 838   | 4 179                     | 4 538                     |
| 2.8 - FX012002001 - Non-Road and Traffic Regulation (Road Transport)  |                                  | 12 361  | 13 216                    | 14 079                    |
| 2.9 - FX014001003 - Solid Waste Removal (Waste Management)  |                                  | 89 196  | 95 776                    | 102 549                   |
| 2.10 - FX014001004 - Street Cleansing (Waste Management)  |                                  | 37 911  | 40 553                    | 43 229                    |
| 2.11 - FX015001001 - Public Toilets (Waste Water Management)  |                                  | 2 046   | 2 336                     | 2 632                     |
| <b>Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES</b>  | <b>204 221</b>                   | <b>221 251</b>                                      | <b>238 702</b>            |                           |
| 3.1 - FX013001003 - Cemeteries, Funeral Parlours and Crematoriums (Community and Social Services)                     |                                  | 11 118  | 11 841                    | 12 589                    |
| 3.2 - FX001001005002 - Halls (Community and Social Services)  |                                  | 22 346  | 24 248                    | 26 176                    |
| 3.3 - FX001001006001 - Libraries and Archives (Community and Social Services)   |                                  | 21 081  | 22 863                    | 24 698                    |
| 3.4 - FX001001006002 - Cyber Cadets (Community and Social Services)   |                                  | 1 504   | 1 576                     | 1 616                     |
| 3.5 - FX001001008 - Museums and Art Galleries (Community and Social Services)   |                                  | 5 982   | 6 389                     | 6 817                     |
| 3.6 - FX013001001 - Beaches and Jetties (Community and Social Services)   |                                  | 17 508  | 18 806                    | 20 048                    |
| 3.7 - FX013001002 - Community Parks (including Nurseries) (Sport and Recreation)                                      |                                  | 61 608  | 66 727                    | 71 887                    |
| 3.8 - FX013002003001 - Recreational Facilities - Caravan Park (Sport and Recreation)                                  |                                  | 48  | 48                        | 48                        |
| 3.9 - FX013002003002 - Recreational Facilities - Parks Administration (Sport and Recreation)                          |                                  | 10 625  | 11 557                    | 12 506                    |
| 3.10 - FX013002003003 - Recreational Facilities - Swimming Pools (Sport and Recreation)                               |                                  | 22 411  | 23 914                    | 25 444                    |
| 3.11 - FX013002004001 - Sport Development and Sportfields (Sport and Recreation)                                      |                                  | 29 578  | 32 862                    | 36 445                    |
| 3.12 - FX013002004002 - Sports Grounds and Stadiums - Stadiums (Sport and Recreation)                                 |                                  | 412   | 420                       | 427                       |

**Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail) – (Continued)**

| R thousand                 | Vote Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|----------------------------|---|---|---------------------------|---------------------------|
|                            |   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Expenditure by Vote</b> |   |   |                           |                           |
|                            | <b>Vote 4 - CORPORATE SERVICES - ADMINISTRATION</b>                                     | <b>11 477</b>                                       | <b>12 949</b>             | <b>14 467</b>             |
|                            | 4.1 - FX001001005003 - Municipal Buildings (Community and Social Services)              | (4 189)   | (3 796)                   | (3 383)                   |
|                            | 4.2 - FX004001001001 - Mayor and Council (Executive and Council)                        | 538   | 571                       | 606                       |
|                            | 4.3 - FX005001001 - Administrative and Corporate Support (Finance and Administration)   | 1 280   | 1 362                     | 1 445                     |
|                            | 4.4 - FX005001007 - Information Technology (Finance and Administration)                 | 3 881   | 4 182                     | 4 495                     |
|                            | 4.5 - FX005001008 - Legal Services (Finance and Administration)                         | 5 928   | 6 330                     | 6 736                     |
|                            | 4.6 - FX005001010 - Property Services (Finance and Administration)                      | 1 742   | 1 891                     | 2 045                     |
|                            | 4.7 - FX009001002 - Air Transport (Other)   | 807   | 817                       | 827                       |
|                            | 4.8 - FX009001004 - Licensing and Regulation (Other)                                    | 1 491   | 1 593                     | 1 696                     |
|                            | <b>Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES</b>                                    | <b>4 059</b>  | <b>4 350</b>              | <b>4 646</b>              |
|                            | 5.1 - FX005001006001 - Human Resources (Finance and Administration)                     | 742   | 799                       | 858                       |
|                            | 5.2 - FX005001006002 - Management Services (Finance and Administration)                 | 2 180   | 2 327                     | 2 475                     |
|                            | 5.3 - FX005001006004 - Training and Industrial Relations (Finance and Administration)   | 1 138   | 1 224                     | 1 312                     |
|                            | <b>Vote 6 - FINANCIAL SERVICES</b>  | <b>17 468</b>                                       | <b>18 352</b>             | <b>19 371</b>             |
|                            | 6.1 - FX005001003001 - Financial Management Grant Interns (Finance and Administration)  | 2 650   | 2 650                     | 2 650                     |
|                            | 6.2 - FX005001003002 - Revenue and Expenditure (Finance and Administration)             | 6 430   | 6 733                     | 7 166                     |
|                            | 6.3 - FX005001004 - Finance (Finance and Administration)                                | 6 259   | 6 692                     | 7 128                     |
|                            | 6.4 - FX005001013 - Supply Chain Management (Finance and Administration)                | 751   | 803                       | 856                       |
|                            | 6.5 - FX005002001 - Asset Management (Finance and Administration)                       | 1 378   | 1 474                     | 1 571                     |
|                            | <b>Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES</b>      | <b>1 286 997</b>                                    | <b>1 338 834</b>          | <b>1 445 889</b>          |
|                            | 7.1 - FX002001001001 - Marketing and Customer relations (Energy Sources)                | 20 721  | 22 224                    | 23 677                    |
|                            | 7.2 - FX002001001002 - Administration (Energy Sources)                                  | 1 061 941   | 1 087 895                 | 1 177 420                 |
|                            | 7.3 - FX002001001004 - Electricity and Gas Distribution and Planning (Energy Sources)   | 140 057   | 160 045                   | 171 571                   |
|                            | 7.4 - FX002001001005 - Electricity Planning (Energy Sources)                            | 7 205   | 7 708                     | 8 208                     |
|                            | 7.5 - FX002001002001 - Street Lighting (Energy Sources)                                 | 34 452  | 36 961                    | 39 591                    |
|                            | 7.6 - FX002001002002 - Process Control Systems (Energy Sources)                         | 22 622  | 24 002                    | 25 423                    |
|                            | <b>Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION</b>            | <b>677 161</b>                                      | <b>715 141</b>            | <b>756 305</b>            |
|                            | 8.1 - FX015001002001 - Sewerage - Industrial Effluent Pipeline (Waste Water Management) | 1 645   | 1 790                     | 1 921                     |
|                            | 8.2 - FX015001002002 - Sewerage - Pumpstations (Waste Water Management)                 | 41 007  | 42 757                    | 45 228                    |
|                            | 8.3 - FX015001002003 - Sewerage - Sewerage Network (Waste Water Management)             | 125 081   | 133 961                   | 143 181                   |
|                            | 8.4 - FX015001004 - Treatment (Waste Water Management)                                  | 53 850  | 57 219                    | 60 828                    |
|                            | 8.5 - FX016001001001 - Water Treatment - Clarified Water (Water Management)             | 16 756  | 17 471                    | 18 486                    |
|                            | 8.6 - FX016001001002 - Water Treatment - Purification works (Water Management)          | 190 102   | 201 161                   | 212 810                   |
|                            | 8.7 - FX016001001003 - Water Treatment - Scientific Services (Water Management)         | 27 511  | 29 644                    | 31 865                    |
|                            | 8.8 - FX016001002001 - Water Distribution - Rural Water (Water Management)              | 47 939  | 54 646                    | 61 644                    |
|                            | 8.9 - FX016001002002 - Water Distribution - Urban Water (Water Management)              | 167 312   | 170 124                   | 173 563                   |
|                            | 8.10 - FX016001002003 - Water Distribution - Water Demand Management (Water Management) | 5 959   | 6 369                     | 6 779                     |

**Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote - Detail) – (Continued)**

| R thousand   | Vote Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---|---------------------------|---------------------------|
|  |   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Expenditure by Vote</b>   |   |   |                           |                           |
|  | <b>Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER</b> | <b>245 528</b>                                      | <b>255 979</b>            | <b>269 998</b>            |
| 9.1 - FX012001004001 - Roads - Railway Sidings (Road Transport)  | 1 343   | 1 413   | 1 486                     |                           |
| 9.2 - FX012001004002 - Roads - Urban Roads (Road Transport)  | 163 712   | 170 560   | 177 260                   |                           |
| 9.3 - FX012001004003 - Roads - Rural Roads (Road Transport)  | 55 755  | 60 971  | 66 377                    |                           |
| 9.4 - FX015001003 - Storm Water Management (Waste Water Management)  | 24 719  | 23 036  | 24 875                    |                           |
| <b>Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES</b>                                | <b>43 923</b>   | <b>42 926</b>                                       | <b>46 303</b>             |                           |
| 10.1 - FX001001005001 - Buildings Maintenance (Community and Social Services)  | 14 963  | 16 348  | 17 791                    |                           |
| 10.2 - FX005001005 - Fleet Management (Finance and Administration)   | (190)   | 369   | 703                       |                           |
| 10.3 - FX010001007001 - Project Management Unit - Administration (Planning and Development)                          | 6 674   | 7 415   | 8 184                     |                           |
| 10.4 - FX010001007002 - Project Management Unit - Asset Management (Planning and Development)                        | 11 753  | 12 108  | 12 670                    |                           |
| 10.5 - FX010001007003 - Project Management Unit - Expanded Public Works Programme (Planning and Development)         | 4 143   | –   | –                         |                           |
| 10.6 - FX010001007004 - Project Management Unit - Infrastructure Skills Development Grant (Planning and Development) | 6 500   | 6 600   | 6 864                     |                           |
| 10.7 - FX010001007005 - Project Management Unit - PMU (Planning and Development)                                     | 81  | 86  | 91                        |                           |
| <b>Vote 11 - OFFICE OF THE MUNICIPAL MANAGER</b>   | <b>35 046</b>   | <b>33 874</b>                                       | <b>36 177</b>             |                           |
| 11.1 - FX004001002001 - DMM - Corporate Services (Executive and Council)   | 2 795   | 2 972   | 3 167                     |                           |
| 11.2 - FX004001002002 - DMM - ITS (Executive and Council)  | 4 756   | 5 092   | 5 430                     |                           |
| 11.3 - FX004001002003 - DMM - City Development (Executive and Council)   | 2 870   | 3 071   | 3 273                     |                           |
| 11.4 - FX004001002004 - DMM - Community Services (Executive and Council)   | 2 770   | 2 964   | 3 159                     |                           |
| 11.5 - FX004001002005 - Municipal Manager (Executive and Council)  | –   | –   | –                         |                           |
| 11.6 - FX004001002006 - Municipal Demarcation Transition Grant (Executive and Council)                               | 3 424   | –   | –                         |                           |
| 11.7 - FX004001002007 - Performance Management (Executive and Council)   | 3 191   | 3 401   | 3 615                     |                           |
| 11.8 - FX005001009 - Marketing, Customer Relations, Publicity and Media Co-ordination (Finance and Administration)   | 12 332  | 13 277  | 14 245                    |                           |
| 11.9 - FX005001011 - Risk Management (Finance and Administration)  | 1 319   | 1 407   | 1 496                     |                           |
| 11.10 - FX008001001 - Governance Function (Internal Audit)   | 13  | 14  | 16                        |                           |
| 11.11 - FX010001001 - Billboards (Planning and Development)  | 1 576   | 1 675   | 1 777                     |                           |
| <b>Total Expenditure by Vote</b>   | <b>2 882 744</b>  | <b>3 026 497</b>                                    | <b>3 242 848</b>          |                           |
| <b>Surplus/(Deficit) for the year</b>  | <b>160 002</b>  | <b>181 913</b>                                      | <b>214 375</b>            |                           |

**Table 26 Surplus/ (Deficit) calculations for the trading services**

| Description<br>R thousand                         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year +1<br>2018/19 | Budget Year<br>+2 2019/20 |
| <b>Electricity</b>                                |   |                           |                           |
| Total revenue (incl capital grants and transfers) | 1 537 750   | 1 611 705                 | 1 723 194                 |
| Operating Expenditure                             | 1 286 997   | 1 338 834                 | 1 445 889                 |
| <b>Surplus/(Deficit) for the year</b>             | 250 753   | 272 871                   | 277 306                   |
| <b>Percentage Surplus</b>                         | 16.3%   | 16.9%                     | 16.1%                     |
| <b>Water</b>                                      |   |                           |                           |
| Total revenue (incl capital grants and transfers) | 428 304   | 455 899                   | 489 825                   |
| Operating Expenditure                             | 455 578   | 479 415                   | 505 147                   |
| <b>Surplus/(Deficit) for the year</b>             | (27 275)  | (23 516)                  | (15 322)                  |
| <b>Percentage Surplus</b>                         | (6.4%)  | (5.2%)                    | (3.1%)                    |
| <b>Waste water management</b>                     |   |                           |                           |
| Total revenue (incl capital grants and transfers) | 219 418   | 238 655                   | 258 158                   |
| Operating Expenditure                             | 248 348   | 261 099                   | 278 665                   |
| <b>Surplus/(Deficit) for the year</b>             | (28 930)  | (22 444)                  | (20 507)                  |
| <b>Percentage Surplus</b>                         | (13.2%)   | (9.4%)                    | (7.9%)                    |
| <b>Waste management</b>                           |   |                           |                           |
| Total revenue (incl capital grants and transfers) | 135 006   | 145 530                   | 156 991                   |
| Operating Expenditure                             | 127 108   | 136 329                   | 145 778                   |
| <b>Surplus/(Deficit) for the year</b>             | 7 898   | 9 200                     | 11 213                    |
| <b>Percentage Surplus</b>                         | 5.8%  | 6.3%                      | 7.1%                      |

1. It needs to be noted that surpluses reflected above **exclude** capital revenues (Transfers recognised – capital), which shows the real picture of the actual operational surpluses for all trading services.
2. The electricity trading surplus is fairly constant over the 2017/18 MTREF from 16.3 per cent or R251 million in 2017/18 to 16.9 per cent by 2018/19.
3. The deficit on the water account amounts to R 27.2 million (6.4 per cent) in the 2017/18 financial year and improves slightly to R 15.3 million in 2019/20. The challenge here is that based on the fact that the bulk of the costs are fixed, the Water Service which is a trading service and meant to be making a surplus is now making a deficit. The Administration has to look at cutting costs in this service to make it self-sustaining
4. The deficit of R 28.9 million on Waste Water Management is of concern and efforts will need to be made to reduce this deficit in the coming MTREF by reducing costs therefore the introduction of more efficient and effective operations.

5. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, and used to cross-subsidise other municipal services.

**Table 27 Surplus/ (Deficit) calculations for other services**

| Description<br>R thousand                          | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Governance and administration</b>               |   |                           |                           |
| Total revenue (incl capital grants and transfers)  | 516 745   | 535 828                   | 574 972                   |
| Operating Expenditure                              | 80 213  | 82 588                    | 88 458                    |
| <b>Surplus/(Deficit) for the year</b>              | 436 532   | 453 240                   | 486 514                   |
| <b>Percentage Surplus</b>                          | 84.5%   | 84.5%                     | 84.6%                     |
| <b>Community and public safety</b>                 |   |                           |                           |
| Total revenue (incl capital grants and transfers)  | 20 158  | 20 091                    | 21 229                    |
| Operating Expenditure                              | 280 790   | 305 606                   | 331 069                   |
| <b>Surplus/(Deficit) for the year</b>              | (260 632)   | (285 515)                 | (309 841)                 |
| <b>Percentage Surplus/ (Deficit)</b>               | (1292.9%)   | (1292.9%)                 | (1421.1%)                 |
| <b>Economic and environmental services</b>         |   |                           |                           |
| Total revenue (incl capital grants and transfers)  | 33 219  | 30 346                    | 31 908                    |
| Operating Expenditure                              | 377 736   | 395 006                   | 418 405                   |
| <b>Surplus/(Deficit) for the year</b>              | (344 517)   | (364 660)                 | (386 497)                 |
| <b>Percentage Surplus/ (Deficit)</b>               | (1037.1%)   | (1037.1%)                 | (1201.7%)                 |
| <b>Housing</b>                                     |   |                           |                           |
| Total revenue (incl capital grants and transfers)  | 4 131   | 4 199                     | 4 290                     |
| Operating Expenditure                              | 19 319  | 20 578                    | 22 028                    |
| <b>Surplus/(Deficit) for the year</b>              | (15 188)  | (16 379)                  | (17 738)                  |
| <b>Percentage Surplus/ (Deficit)</b>               | (367.7%)  | (367.7%)                  | (390.1%)                  |
| <b>Other</b>                                       |   |                           |                           |
| Total revenue (incl capital grants and transfers)  | 711   | 744                       | 796                       |
| Operating Expenditure                              | 6 655   | 7 042                     | 7 409                     |
| <b>Surplus/(Deficit) for the year</b>              | (5 944)   | (6 299)                   | (6 614)                   |
| <b>Percentage Surplus/ (Deficit)</b>               | (836.5%)  | (836.5%)                  | (846.8%)                  |
| <b>Consolidated Surplus/(Deficit) for the year</b> | (189 749)   | (219 613)                 | (234 176)                 |

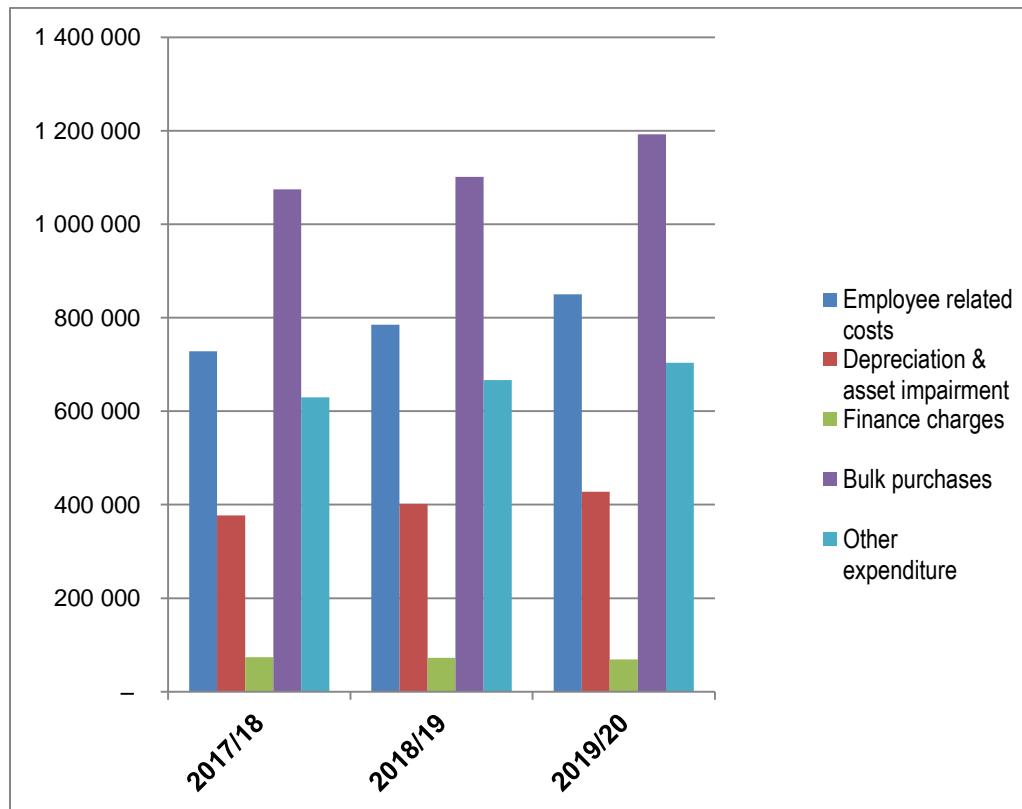
2. This table highlights the extent of cross-subsidisation from the trading services to the Community and public safety, Economic and environmental and Housing services.
3. **The major concern here is that all services other than two of the trading services are now running at an R 189.7 million deficit. You will not notice this in Table A2 as the capital transfers distort the actual revenue. Refer to Table 26 for the actual calculation. This implies that the whole Municipality has a high risk dependency on Electricity Income, given that Water has a deficit and the surpluses on the other trading service are marginal.**
4. **Although Council has received Level II Accreditation, the subsidisation of Housing services can be construed as an “unfunded” mandate.**

**Table 28 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

| Description<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue By Source</b>   |   |                           |                           |
| Property rates   | 452 872   | 474 533                   | 507 317                   |
| Service charges - electricity revenue  | 1 534 316   | 1 607 695                 | 1 718 763                 |
| Service charges - water revenue  | 309 982   | 324 809                   | 347 247                   |
| Service charges - sanitation revenue   | 92 006  | 96 409                    | 103 072                   |
| Service charges - refuse revenue   | 76 575  | 80 236                    | 85 780                    |
| Rental of facilities and equipment   | 8 008   | 7 350                     | 7 852                     |
| Interest earned - external investments   | 41 942  | 42 040                    | 47 181                    |
| Interest earned - outstanding debtors  | 53  | 55                        | 58                        |
| Fines, penalties and forfeits  | 7 563   | 7 929                     | 8 424                     |
| Licences and permits   | 3 609   | 3 789                     | 3 978                     |
| Agency services  | 7 390   | 7 755                     | 8 142                     |
| Transfers and subsidies  | 326 359   | 353 998                   | 384 645                   |
| Other revenue  | 34 764  | 36 398                    | 38 902                    |
| <b>Total Revenue (excluding capital transfers and contributions)</b>                             | <b>2 895 441</b>                                    | <b>3 042 996</b>          | <b>3 261 361</b>          |
| <b>Expenditure By Type</b>   |   |                           |                           |
| Employee related costs   | 728 269   | 784 743                   | 850 081                   |
| Remuneration of councillors  | 29 147  | 31 188                    | 33 218                    |
| Debt impairment  | 26 388  | 27 707                    | 29 092                    |
| Depreciation & asset impairment  | 376 848   | 401 636                   | 427 900                   |
| Finance charges  | 73 401  | 72 194                    | 69 073                    |
| Bulk purchases   | 1 074 886   | 1 101 637                 | 1 192 238                 |
| Other materials  | 160 405   | 172 710                   | 181 522                   |
| Contracted services  | 151 897   | 158 112                   | 167 141                   |
| Transfers and subsidies  | 11 729  | 12 323                    | 12 808                    |
| Other expenditure  | 249 775   | 264 245                   | 279 776                   |
| <b>Total Expenditure</b>   | <b>2 882 744</b>                                    | <b>3 026 496</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit)</b>   | <b>12 697</b>                                       | <b>16 500</b>             | <b>18 513</b>             |
| Transfers and subsidies - capital (monetary allocations)<br>(National / Provincial and District) | 147 305   | 165 414                   | 195 862                   |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>                             | <b>160 002</b>                                      | <b>181 914</b>            | <b>214 375</b>            |
| <b>Surplus/(Deficit) for the year</b>  | <b>160 002</b>                                      | <b>181 914</b>            | <b>214 375</b>            |

### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R2.9 billion in 2017/18 and escalates to R3 billion by 2018/19 and R3.3 billion by 2019/20. This represents a year-on-year increase of only 3 per cent for the 2017/18 financial year from the 2016/17 Adjusted Budget and 5 per cent for the 2018/19 financial year and 7 per cent for the 2018/19 financial year.
2. Revenue to be generated from Property Rates is R 453 million in the 2017/18 financial year and increases to R 475 million by 2018/19 which represents 16 per cent of the operating revenue base of the City and therefore remains significant short of funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 16 per cent and 17 per cent for the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R2 billion for the 2017/18 financial year and increasing to R2.1 billion by 2018/19. For the 2017/18 financial year services charges amount to 70 per cent of the total revenue base, however no economic growth has been built into these revenue figures. The growth that is reflected here is mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real term the grants receipts from national government having only increased marginally over the MTREF by 8 per cent and 9 per cent for the two outer years.
5. The following graph illustrates the major expenditure items per type.



**Figure 3 Expenditure by major type**

**Table 29 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

| R thousand                                     | Vote Description                                  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---|---------------------------|---------------------------|
|  |   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Capital Expenditure - Functional</u></b> |   |   |                           |                           |
|  | <b><i>Governance and administration</i></b>       | <b>100 299</b>                                      | <b>126 907</b>            | <b>58 125</b>             |
|  | Executive and council                             | 119   | 220                       | 182                       |
|  | Finance and administration                        | 100 180   | 126 687                   | 57 943                    |
|  | Internal audit                                    | –   | –                         | –                         |
|  | <b><i>Community and public safety</i></b>         | <b>66 037</b>                                       | <b>51 822</b>             | <b>45 993</b>             |
|  | Community and social services                     | 48 774  | 24 280                    | 17 208                    |
|  | Sport and recreation                              | 16 248  | 27 342                    | 28 575                    |
|  | Public safety                                     | 275   | –                         | –                         |
|  | Housing   | –   | –                         | –                         |
|  | Health  | 740   | 200                       | 210                       |
|  | <b><i>Economic and environmental services</i></b> | <b>95 607</b>                                       | <b>110 404</b>            | <b>131 147</b>            |
|  | Planning and development                          | 4 797   | 9 702                     | 17 842                    |
|  | Road transport                                    | 90 810  | 100 702                   | 113 305                   |
|  | Environmental protection                          | –   | –                         | –                         |
|  | <b><i>Trading services</i></b>                    | <b>259 313</b>                                      | <b>277 642</b>            | <b>312 889</b>            |
|  | Energy sources                                    | 82 142  | 89 488                    | 123 483                   |
|  | Water management                                  | 88 133  | 112 917                   | 113 112                   |
|  | Waste water management                            | 86 538  | 73 737                    | 75 214                    |
|  | Waste management                                  | 2 500   | 1 500                     | 1 080                     |
|  | <b><i>Other</i></b>                               | <b>–</b>  | <b>–</b>                  | <b>–</b>                  |
| <b>Total Capital Expenditure - Functional</b>  |   | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            |
| <b><u>Funded by:</u></b>                       |   |   |                           |                           |
|  | National Government                               | 147 305   | 165 414                   | 195 862                   |
|  | Provincial Government                             | –   | –                         | –                         |
|  | District Municipality                             | –   | –                         | –                         |
|  | Other transfers and grants                        | –   | –                         | –                         |
|  | <b>Transfers recognised - capital</b>             | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
|  | <b>Public contributions &amp; donations</b>       | <b>–</b>  | <b>–</b>                  | <b>–</b>                  |
|  | <b>Borrowing</b>                                  | <b>100 000</b>                                      | <b>100 000</b>            | <b>–</b>                  |
|  | <b>Internally generated funds</b>                 | <b>273 950</b>                                      | <b>301 360</b>            | <b>352 292</b>            |
| <b>Total Capital Funding</b>                   |   | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            |

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18 R379.1 million has been allocated of the total R521.2 million capital budget, which totals 73 per cent. This allocation increases to R 437.2 million in 2018/19 and then decreases to R 420.5 million in 2019/20.
3. Single-year capital expenditure has been appropriated at R 142.1 million for the 2017/18 financial year and reduces slightly over the MTREF to levels of R 129.5 million and R 127.6 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2017/18, capital transfers totals R 147 million (28 per cent) and increases to R 165.4 million in the 2018/19 financial year (29 per cent). Borrowing has been provided at R 200 million over the MTREF with internally generated funding totaling R 273.5 million, R 301.3 million and R 352.3 million for each of the respective financial years of the MTREF.

**Table 30 MBRR Table A5A - Budgeted Capital Expenditure by vote, Municipal classification**

| R thousand  | Vote Description | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|------------------|---|---------------------------|---------------------------|
|   |                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital expenditure - Municipal Vote</b>   |                  |   |                           |                           |
| <b>Multi-year expenditure appropriation</b>   |                  |   |                           |                           |
| <b>Vote 1 - CITY DEVELOPMENT</b>  |                  | <b>4 797</b>  | <b>1 812</b>              | <b>1 902</b>              |
| 1.4 - FX010001002 - Corporate Wide Strategic Planning (IDPs, LEDs) (Planning and Development) |                  | 1 297   | 1 812                     | 1 902                     |
| 1.6 - FX010001005 - Economic Development/Planning (Planning and Development)                  |                  | 3 500   | –                         | –                         |
| <b>Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY</b>                                 |                  | <b>3 210</b>  | <b>1 200</b>              | <b>780</b>                |
| 2.3 - FX005001006003 - Occupational Clinic (Finance and Administration)                       |                  | 1 110   | 700                       | 700                       |
| 2.8 - FX012002001 - Non-Road and Traffic Regulation (Road Transport)                          |                  | 600   | –                         | –                         |
| 2.9 - FX014001003 - Solid Waste Removal (Waste Management)                                    |                  | 1 500   | 500                       | 80                        |
| <b>Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES</b>                  |                  | <b>2 780</b>  | <b>9 701</b>              | <b>9 886</b>              |
| 3.7 - FX013001002 - Community Parks (including Nurseries) (Sport and Recreation)              |                  | 2 000   | 3 000                     | 3 000                     |
| 3.11 - FX013002004001 - Sport Development and Sportfields (Sport and Recreation)              |                  | 780   | 6 701                     | 6 886                     |
| <b>Vote 4 - CORPORATE SERVICES - ADMINISTRATION</b>   |                  | <b>63 463</b>                                       | <b>89 915</b>             | <b>19 101</b>             |
| 4.1 - FX001001005003 - Municipal Buildings (Community and Social Services)                    |                  | 30 894  | 13 295                    | 10 156                    |
| 4.2 - FX004001001001 - Mayor and Council (Executive and Council)                              |                  | 119   | 220                       | 182                       |
| 4.4 - FX005001007 - Information Technology (Finance and Administration)                       |                  | 32 450  | 76 400                    | 8 763                     |
| <b>Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES</b>  |                  | <b>–</b>  | <b>200</b>                | <b>–</b>                  |
| 5.1 - FX005001006001 - Human Resources (Finance and Administration)                           |                  | –   | 200                       | –                         |
| <b>Vote 6 - FINANCIAL SERVICES</b>  |                  | <b>441</b>  | <b>467</b>                | <b>494</b>                |
| 6.2 - FX005001003002 - Revenue and Expenditure (Finance and Administration)                   |                  | 441   | 467                       | 494                       |
| <b>Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES</b>            |                  | <b>68 942</b>                                       | <b>80 588</b>             | <b>114 583</b>            |
| 7.3 - FX002001001004 - Electricity and Gas Distribution and Planning (Energy Sources)         |                  | 50 150  | 68 588                    | 98 583                    |
| 7.5 - FX002001002001 - Street Lighting (Energy Sources)                                       |                  | 17 292  | 12 000                    | 16 000                    |
| 7.6 - FX002001002002 - Process Control Systems (Energy Sources)                               |                  | 1 500   | –                         | –                         |
| <b>Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION</b>                  |                  | <b>155 771</b>                                      | <b>160 154</b>            | <b>159 799</b>            |
| 8.2 - FX015001002002 - Sewerage - Pumpstations (Waste Water Management)                       |                  | 17 100  | 15 700                    | 12 876                    |
| 8.3 - FX015001002003 - Sewerage - Sewerage Network (Waste Water Management)                   |                  | 65 438  | 45 037                    | 49 337                    |
| 8.7 - FX016001001003 - Water Treatment - Scientific Services (Water Management)               |                  | 3 500   | 1 500                     | 3 000                     |
| 8.8 - FX016001002001 - Water Distribution - Rural Water (Water Management)                    |                  | 31 633  | 36 037                    | 38 638                    |
| 8.9 - FX016001002002 - Water Distribution - Urban Water (Water Management)                    |                  | 33 800  | 41 380                    | 36 448                    |
| 8.10 - FX016001002003 - Water Distribution - Water Demand Management (Water Management)       |                  | 4 300   | 20 500                    | 19 500                    |
| <b>Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER</b>       |                  | <b>68 438</b>                                       | <b>84 200</b>             | <b>105 000</b>            |
| 9.2 - FX012001004002 - Roads - Urban Roads (Road Transport)                                   |                  | 68 438  | 84 200                    | 105 000                   |
| <b>Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES</b>         |                  | <b>11 300</b>                                       | <b>9 000</b>              | <b>9 000</b>              |
| 10.2 - FX005001005 - Fleet Management (Finance and Administration)                            |                  | 11 300  | 9 000                     | 9 000                     |
| <b>Capital multi-year expenditure sub-total</b>   |                  | <b>379 141</b>                                      | <b>437 237</b>            | <b>420 545</b>            |

**Table A5A - Budgeted Capital Expenditure by vote, Municipal classification – (continued)**

| R thousand   | Vote Description | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|------------------|---|---------------------------|---------------------------|
|  |                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital expenditure - Municipal Vote</b>  |                  |   |                           |                           |
| <b>Single-year expenditure appropriation</b>   |                  |   |                           |                           |
| <b>Vote 1 - CITY DEVELOPMENT</b>   |                  | –   | 890                       | 940                       |
| 1.6 - FX010001005 - Economic Development/Planning (Planning and Development)                     |                  | –   | 890                       | 940                       |
| <b>Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY</b>                                    |                  | 2 015   | 1 200                     | 1 210                     |
| 2.2 - FX003001003 - Pollution Control (Environmental Protection)                                 |                  | 740   | 200                       | 210                       |
| 2.5 - FX011001005 - Fire Fighting and Protection (Public Safety )                                |                  | 275   | –                         | –                         |
| 2.9 - FX014001003 - Solid Waste Removal (Waste Management)                                       |                  | 1 000   | 1 000                     | 1 000                     |
| <b>Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES</b>                     |                  | 18 928  | 23 876                    | 24 692                    |
| 3.1 - FX013001003 -Cemeteries, Funeral Parlours and Crematoriums (Community and Social Services) |                  | 900   | 945                       | 1 100                     |
| 3.2 - FX001001005002 - Halls (Community and Social Services)                                     |                  | 3 700   | 2 840                     | 2 100                     |
| 3.3 - FX001001006001- Libraries and Archives (Community and Social Services)                     |                  | 1 560   | 2 450                     | 2 802                     |
| 3.6 - FX013001001- Beaches and Jetties (Community and Social Services)                           |                  | 150   | 158                       | 165                       |
| 3.7 - FX013001002 - Community Parks (including Nurseries) (Sport and Recreation)                 |                  | 950   | 600                       | 650                       |
| 3.10 - FX013002003003 - Recreational Facilities - Swimming Pools (Sport and Recreation)          |                  | 900   | 945                       | 992                       |
| 3.11 - FX013002004001 - Sport Development and Sportfields (Sport and Recreation)                 |                  | 10 768  | 15 938                    | 16 882                    |
| <b>Vote 4 - CORPORATE SERVICES - ADMINISTRATION</b>  |                  | 23 023  | 8 492                     | 5 550                     |
| 4.1 - FX001001005003 - Municipal Buildings (Community and Social Services)                       |                  | 11 720  | 4 550                     | 1 050                     |
| 4.4 - FX005001007 - Information Technology (Finance and Administration)                          |                  | 11 303  | 3 942                     | 4 500                     |
| <b>Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES</b>               |                  | 13 200  | 8 900                     | 8 900                     |
| 7.3 - FX002001001004 - Electricity and Gas Distribution and Planning (Energy Sources)            |                  | 13 200  | 8 900                     | 8 900                     |
| <b>Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION</b>                     |                  | 18 900  | 26 500                    | 28 527                    |
| 8.3 - FX015001002003 - Sewerage - Sewerage Network (Waste Water Management)                      |                  | 4 000   | 13 000                    | 13 000                    |
| 8.9 - FX016001002002 - Water Distribution - Urban Water (Water Management)                       |                  | 14 900  | 13 500                    | 15 527                    |
| <b>Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER</b>          |                  | 21 772  | 23 502                    | 23 305                    |
| 9.2 - FX012001004002 - Roads - Urban Roads (Road Transport)                                      |                  | 1 000   | 1 500                     | –                         |
| 9.3 - FX012001004003 - Roads - Rural Roads (Road Transport)                                      |                  | 20 772  | 22 002                    | 23 305                    |
| <b>Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES</b>            |                  | 44 096  | 36 178                    | 34 485                    |
| 10.2 - FX005001005 - Fleet Management (Finance and Administration)                               |                  | 44 096  | 36 178                    | 34 485                    |
| <b>Vote 11 - OFFICE OF THE MUNICIPAL MANAGER</b>   |                  | 180   | –                         | –                         |
| 11.9 - FX005001011 - Risk Management (Finance and Administration)                                |                  | 180   | –                         | –                         |
| <b>Capital single-year expenditure sub-total</b>   |                  | 142 114   | 129 537                   | 127 609                   |
| <b>Total Capital Expenditure</b>   |                  | 521 255   | 566 774                   | 548 154                   |

**Table 31 MBRR Table A6 - Budgeted Financial Position**

| Description<br>R thousand                | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>ASSETS</b>                            |   |                           |                           |
| <b>Current assets</b>                    |   |                           |                           |
| Cash                                     | 127 936   | 99 612                    | 62 841                    |
| Call investment deposits                 | 400 000   | 350 000                   | 350 000                   |
| Consumer debtors                         | 409 030   | 427 245                   | 449 378                   |
| Other debtors                            | 32 381  | 32 640                    | 32 934                    |
| Current portion of long-term receivables | 44  | 44                        | 45                        |
| Inventory                                | 76 583  | 81 469                    | 86 666                    |
| <b>Total current assets</b>              | <b>1 045 974</b>                                    | <b>991 010</b>            | <b>981 864</b>            |
| <b>Non current assets</b>                |   |                           |                           |
| Long-term receivables                    | 117   | 126                       | 136                       |
| Investments                              | –   | –                         | –                         |
| Investment property                      | 125 047   | 124 969                   | 124 891                   |
| Investment in Associate                  | –   | –                         | –                         |
| Property, plant and equipment            | 5 217 753   | 5 362 272                 | 5 480 165                 |
| Agricultural                             | –   | –                         | –                         |
| Biological                               | –   | –                         | –                         |
| Intangible                               | 32 730  | 53 427                    | 55 866                    |
| Other non-current assets                 | 2 767   | 2 767                     | 2 767                     |
| <b>Total non current assets</b>          | <b>5 378 415</b>                                    | <b>5 543 562</b>          | <b>5 663 825</b>          |
| <b>TOTAL ASSETS</b>                      | <b>6 424 389</b>                                    | <b>6 534 572</b>          | <b>6 645 689</b>          |
| <b>LIABILITIES</b>                       |   |                           |                           |
| <b>Current liabilities</b>               |   |                           |                           |
| Bank overdraft                           | –   | –                         | –                         |
| Borrowing                                | 159 365   | 78 531                    | 68 971                    |
| Consumer deposits                        | 46 591  | 49 759                    | 52 934                    |
| Trade and other payables                 | 378 920   | 399 405                   | 422 631                   |
| Provisions                               | 24 185  | 25 970                    | 27 886                    |
| <b>Total current liabilities</b>         | <b>609 060</b>                                      | <b>553 665</b>            | <b>572 422</b>            |
| <b>Non current liabilities</b>           |   |                           |                           |
| Borrowing                                | 477 671   | 499 140                   | 430 169                   |
| Provisions                               | 315 343   | 338 615                   | 363 605                   |
| <b>Total non current liabilities</b>     | <b>793 014</b>                                      | <b>837 755</b>            | <b>793 774</b>            |
| <b>TOTAL LIABILITIES</b>                 | <b>1 402 075</b>                                    | <b>1 391 420</b>          | <b>1 366 197</b>          |
| <b>NET ASSETS</b>                        | <b>5 022 314</b>                                    | <b>5 143 151</b>          | <b>5 279 492</b>          |
| <b>COMMUNITY WEALTH/EQUITY</b>           |   |                           |                           |
| Accumulated Surplus/(Deficit)            | 4 661 837   | 4 727 970                 | 4 837 823                 |
| Reserves                                 | 360 477   | 415 181                   | 441 669                   |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | <b>5 022 314</b>                                    | <b>5 143 151</b>          | <b>5 279 492</b>          |

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 169 providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 32 MBRR Table A7 - Budgeted Cash Flow Statement**

| Description<br>R thousand                         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Property rates                                    | 434 758   | 455 551                   | 487 024                   |
| Service charges                                   | 1 876 238   | 1 965 295                 | 2 101 865                 |
| Other revenue                                     | 61 334  | 63 221                    | 67 298                    |
| Government - operating                            | 326 359   | 353 998                   | 384 645                   |
| Government - capital                              | 147 305   | 165 414                   | 195 862                   |
| Interest  | 41 995  | 42 096                    | 47 240                    |
| <b>Payments</b>                                   |   |                           |                           |
| Suppliers and employees                           | (2 308 953)   | (2 422 346)               | (2 608 415)               |
| Finance charges                                   | (73 401)  | (72 194)                  | (69 073)                  |
| Transfers and Grants                              | (11 729)  | (12 324)                  | (12 808)                  |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  | <b>493 905</b>                                      | <b>538 711</b>            | <b>593 638</b>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Proceeds on disposal of PPE                       | –   | –                         | –                         |
| Decrease (Increase) in non-current debtors        | –   | –                         | –                         |
| Decrease (increase) other non-current receivables | –   | –                         | –                         |
| Decrease (increase) in non-current investments    | –   | –                         | –                         |
| <b>Payments</b>                                   |   |                           |                           |
| Capital assets                                    | (499 283)   | (557 670)                 | (551 878)                 |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  | <b>(499 283)</b>                                    | <b>(557 670)</b>          | <b>(551 878)</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Short term loans                                  | –   | –                         | –                         |
| Borrowing long term/refinancing                   | 100 000   | 100 000                   | –                         |
| Increase (decrease) in consumer deposits          | –   | –                         | –                         |
| <b>Payments</b>                                   |   |                           |                           |
| Repayment of borrowing                            | (158 864)   | (159 365)                 | (78 531)                  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  | <b>(58 864)</b>                                     | <b>(59 365)</b>           | <b>(78 531)</b>           |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      | <b>(64 242)</b>                                     | <b>(78 324)</b>           | <b>(36 771)</b>           |
| Cash/cash equivalents at the year begin:          | 592 178   | 527 936                   | 449 612                   |
| Cash/cash equivalents at the year end:            | 527 936   | 449 612                   | 412 841                   |

**Table 33 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

| Description<br>R thousand                         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Cash and investments available</u></b>      |   |                           |                           |
| Cash/cash equivalents at the year end             | 527 936   | 449 612                   | 412 841                   |
| Other current investments > 90 days               | –   | –                         | –                         |
| Non current assets - Investments                  | –   | –                         | –                         |
| <b>Cash and investments available:</b>            | <b>527 936</b>                                      | <b>449 612</b>            | <b>412 841</b>            |
| <b><u>Application of cash and investments</u></b> |   |                           |                           |
| Unspent conditional transfers                     | 57 838  | 57 838                    | 57 838                    |
| Unspent borrowing                                 | 40 000  | 20 000                    | 20 000                    |
| Statutory requirements                            | –   | –                         | –                         |
| Other working capital requirements                | (93 399)  | (90 135)                  | (88 098)                  |
| Other provisions                                  | 24 185  | 25 970                    | 27 886                    |
| Long term investments committed                   | –   | –                         | –                         |
| Reserves to be backed by cash/investments         | 301 360   | 352 292                   | 374 768                   |
| <b>Total Application of cash and investments:</b> | <b>329 983</b>                                      | <b>365 965</b>            | <b>392 395</b>            |
| <b>Surplus(shortfall)</b>                         | <b>197 952</b>                                      | <b>83 648</b>             | <b>20 446</b>             |

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the City improved from previous financial years to 2017/18 period and the years thereafter owing directly to a myriad of cash flow interventions introduced over the past years.
4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R 527 million as at the end of the 2017/18 financial year and declines slightly to R 450 million by 2018/19 as internal funds are utilised for capital projects more than the reliance on borrowing.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be “funded”.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. The surplus improved to R 198 million in the 2017/18 financial year from the deficit of previous financial years.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**Table 34 MBRR Table A9 - Asset Management**

| Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>CAPITAL EXPENDITURE</b>                          |   |                           |                           |
| <b>Total New Assets</b>                             | <b>341 990</b>                                      | <b>365 158</b>            | <b>346 800</b>            |
| <i>Roads Infrastructure</i>                         | 34 772  | 38 102                    | 60 305                    |
| <i>Storm water Infrastructure</i>                   | –   | –                         | –                         |
| <i>Electrical Infrastructure</i>                    | 23 092  | 27 900                    | 63 900                    |
| <i>Water Supply Infrastructure</i>                  | 72 233  | 84 037                    | 83 664                    |
| <i>Sanitation Infrastructure</i>                    | 60 738  | 49 437                    | 51 714                    |
| <i>Solid Waste Infrastructure</i>                   | 1 500   | 500                       | 80                        |
| <i>Information and Communication Infrastructure</i> | 500   | 2 700                     | 3 000                     |
| <b>Infrastructure</b>                               | <b>192 835</b>                                      | <b>202 676</b>            | <b>262 663</b>            |
| <i>Community Facilities</i>                         | 8 644   | 7 650                     | 2 100                     |
| <i>Sport and Recreation Facilities</i>              | 12 918  | 24 971                    | 26 060                    |
| <b>Community Assets</b>                             | <b>21 562</b>                                       | <b>32 621</b>             | <b>28 160</b>             |
| <b>Investment properties</b>                        | –   | –                         | –                         |
| <i>Operational Buildings</i>                        | 20 457  | 9 152                     | 5 142                     |
| <i>Housing</i>                                      | 5 500   | –                         | –                         |
| <b>Other Assets</b>                                 | <b>25 957</b>                                       | <b>9 152</b>              | <b>5 142</b>              |
| <b>Biological or Cultivated Assets</b>              | –   | –                         | –                         |
| <i>Licences and Rights</i>                          | 39 940  | 71 000                    | 2 000                     |
| <b>Intangible Assets</b>                            | <b>39 940</b>                                       | <b>71 000</b>             | <b>2 000</b>              |
| <i>Computer Equipment</i>                           | 543   | 2 862                     | 2 500                     |
| <i>Furniture and Office Equipment</i>               | 317   | 220                       | 182                       |
| <i>Machinery and Equipment</i>                      | 20 426  | 17 238                    | 15 716                    |
| <i>Transport Assets</i>                             | 40 410  | 29 390                    | 30 437                    |
| <b>Total Renewal of Existing Assets</b>             | <b>121 516</b>                                      | <b>152 155</b>            | <b>151 386</b>            |
| <i>Roads Infrastructure</i>                         | 40 588  | 42 000                    | 46 000                    |
| <i>Storm water Infrastructure</i>                   | –   | –                         | –                         |
| <i>Electrical Infrastructure</i>                    | 49 050  | 61 588                    | 54 083                    |
| <i>Water Supply Infrastructure</i>                  | 16 900  | 32 600                    | 33 053                    |
| <i>Sanitation Infrastructure</i>                    | 4 300   | 9 080                     | 9 658                     |
| <i>Information and Communication Infrastructure</i> | –   | 2 000                     | 3 500                     |
| <b>Infrastructure</b>                               | <b>110 838</b>                                      | <b>147 268</b>            | <b>146 294</b>            |
| <i>Community Facilities</i>                         | 1 730   | 1 145                     | 1 100                     |
| <i>Sport and Recreation Facilities</i>              | 1 100   | 945                       | 992                       |
| <b>Community Assets</b>                             | <b>2 830</b>  | <b>2 090</b>              | <b>2 092</b>              |
| <i>Operational Buildings</i>                        | 4 227   | 200                       | 50                        |
| <b>Other Assets</b>                                 | <b>4 227</b>  | <b>200</b>                | <b>50</b>                 |
| <b>Furniture and Office Equipment</b>               | <b>541</b>  | <b>257</b>                | <b>274</b>                |
| <b>Machinery and Equipment</b>                      | <b>3 080</b>  | <b>2 090</b>              | <b>2 133</b>              |
| <b>Transport Assets</b>                             | –   | 250                       | 542                       |

**Table MBRR Table A9 - Asset Management (continued)**

| Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>CAPITAL EXPENDITURE</b>                          |   |                           |                           |
| <b>Total Upgrading of Existing Assets</b>           | <b>57 750</b>                                       | <b>49 461</b>             | <b>49 968</b>             |
| <i>Roads Infrastructure</i>                         | 13 000  | 26 100                    | 22 000                    |
| <i>Electrical Infrastructure</i>                    | 8 000   | –                         | 5 500                     |
| <i>Water Supply Infrastructure</i>                  | 1 100   | 500                       | 737                       |
| <i>Sanitation Infrastructure</i>                    | 15 000  | 9 500                     | 6 500                     |
| <i>Information and Communication Infrastructure</i> | 3 170   | 1 500                     | 2 000                     |
| <b>Infrastructure</b>                               | <b>40 270</b>                                       | <b>37 600</b>             | <b>36 737</b>             |
| Community Facilities                                | 6 650   | 2 440                     | 2 802                     |
| Sport and Recreation Facilities                     | 780   | 826                       | 873                       |
| <b>Community Assets</b>                             | <b>7 430</b>  | <b>3 266</b>              | <b>3 675</b>              |
| Operational Buildings                               | 9 550   | 8 595                     | 9 556                     |
| <b>Other Assets</b>                                 | <b>9 550</b>  | <b>8 595</b>              | <b>9 556</b>              |
| Licences and Rights                                 | 500   | –                         | –                         |
| <b>Intangible Assets</b>                            | <b>500</b>  | <b>–</b>                  | <b>–</b>                  |
| <b>Total Capital Expenditure</b>                    |   |                           |                           |
| <i>Roads Infrastructure</i>                         | 88 360  | 106 202                   | 128 305                   |
| <i>Electrical Infrastructure</i>                    | 80 142  | 89 488                    | 123 483                   |
| <i>Water Supply Infrastructure</i>                  | 90 233  | 117 137                   | 117 454                   |
| <i>Sanitation Infrastructure</i>                    | 80 038  | 68 017                    | 67 872                    |
| <i>Solid Waste Infrastructure</i>                   | 1 500   | 500                       | 80                        |
| <i>Information and Communication Infrastructure</i> | 3 670   | 6 200                     | 8 500                     |
| <b>Infrastructure</b>                               | <b>343 942</b>                                      | <b>387 544</b>            | <b>445 694</b>            |
| Community Facilities                                | 17 024  | 11 235                    | 6 002                     |
| Sport and Recreation Facilities                     | 14 798  | 26 742                    | 27 925                    |
| <b>Community Assets</b>                             | <b>31 822</b>                                       | <b>37 977</b>             | <b>33 927</b>             |
| Operational Buildings                               | 34 234  | 17 947                    | 14 748                    |
| Housing   | 5 500   | –                         | –                         |
| <b>Other Assets</b>                                 | <b>39 734</b>                                       | <b>17 947</b>             | <b>14 748</b>             |
| Licences and Rights                                 | 40 440  | 71 000                    | 2 000                     |
| <b>Intangible Assets</b>                            | <b>40 440</b>                                       | <b>71 000</b>             | <b>2 000</b>              |
| <b>Computer Equipment</b>                           | <b>543</b>  | <b>2 862</b>              | <b>2 500</b>              |
| <b>Furniture and Office Equipment</b>               | <b>858</b>  | <b>477</b>                | <b>456</b>                |
| <b>Machinery and Equipment</b>                      | <b>23 506</b>                                       | <b>19 328</b>             | <b>17 850</b>             |
| <b>Transport Assets</b>                             | <b>40 410</b>                                       | <b>29 640</b>             | <b>30 979</b>             |
| <b>TOTAL CAPITAL EXPENDITURE - Asset class</b>      | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            |

**Table MBRR Table A9 - Asset Management (continued)**

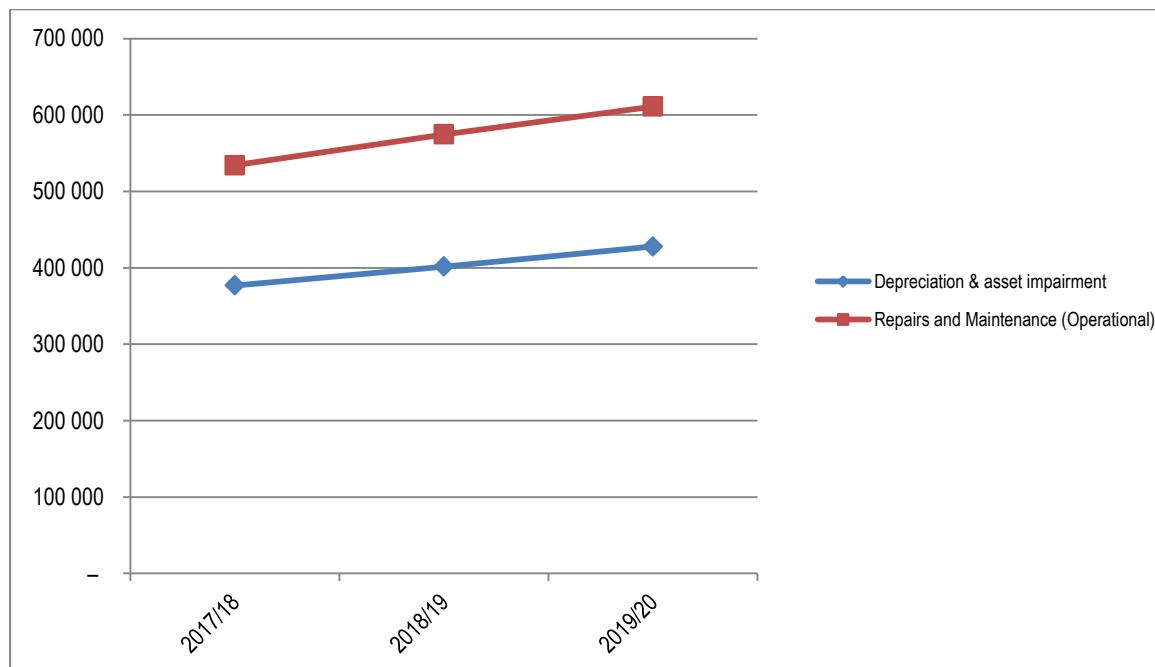
| R thousand                                      | Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---|---------------------------|---------------------------|
|   |   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>ASSET REGISTER SUMMARY - PPE (WDV)</b>       |   |   |                           |                           |
|   | <i>Roads Infrastructure</i>                         | 1 196 158   | 1 227 116                 | 1 255 281                 |
|   | <i>Electrical Infrastructure</i>                    | 508 980   | 535 065                   | 564 514                   |
|   | <i>Water Supply Infrastructure</i>                  | 1 330 739   | 1 364 884                 | 1 390 668                 |
|   | <i>Sanitation Infrastructure</i>                    | 743 574   | 763 401                   | 778 300                   |
|   | <i>Solid Waste Infrastructure</i>                   | 5 619   | 5 764                     | 5 782                     |
|   | <i>Information and Communication Infrastructure</i> | 13 747  | 15 554                    | 15 079                    |
|   | <b>Infrastructure</b>                               | <b>3 798 815</b>                                    | <b>3 911 785</b>          | <b>4 009 624</b>          |
|   | Community Facilities                                | 162 413   | 165 688                   | 167 005                   |
|   | Sport and Recreation Facilities                     | 141 175   | 148 970                   | 155 101                   |
|   | <b>Community Assets</b>                             | <b>303 588</b>                                      | <b>314 658</b>            | <b>322 106</b>            |
|   | <b>Heritage Assets</b>                              | <b>2 767</b>  | <b>2 767</b>              | <b>2 767</b>              |
|   | Non-revenue Generating                              | 124 511   | 124 433                   | 124 355                   |
|   | <b>Investment properties</b>                        | <b>124 511</b>                                      | <b>124 433</b>            | <b>124 355</b>            |
|   | Operational Buildings                               | 681 523   | 686 755                   | 689 992                   |
|   | Housing   | 188 239   | 188 239                   | 188 239                   |
|   | <b>Other Assets</b>                                 | <b>869 762</b>                                      | <b>874 994</b>            | <b>878 232</b>            |
|   | Licences and Rights                                 | 30 398  | 51 094                    | 51 533                    |
|   | <b>Intangible Assets</b>                            | <b>30 398</b>                                       | <b>51 094</b>             | <b>51 533</b>             |
|   | <b>Computer Equipment</b>                           | <b>32 711</b>                                       | <b>33 545</b>             | <b>34 094</b>             |
|   | <b>Furniture and Office Equipment</b>               | <b>9 412</b>  | <b>9 551</b>              | <b>9 651</b>              |
|   | <b>Machinery and Equipment</b>                      | <b>102 154</b>                                      | <b>107 788</b>            | <b>111 707</b>            |
|   | <b>Transport Assets</b>                             | <b>104 179</b>                                      | <b>112 819</b>            | <b>119 620</b>            |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b> |   | <b>5 375 531</b>                                    | <b>5 540 669</b>          | <b>5 660 922</b>          |
| <b>EXPENDITURE OTHER ITEMS</b>                  |   |   |                           |                           |
|   | <b>Depreciation</b>                                 | 376 848   | 401 636                   | 427 900                   |
|   | <b>Repairs and Maintenance by Asset Class</b>       | <b>534 296</b>                                      | <b>574 665</b>            | <b>611 188</b>            |
|   | <i>Roads Infrastructure</i>                         | 91 356  | 96 177                    | 101 362                   |
|   | <i>Storm water Infrastructure</i>                   | 30 794  | 28 787                    | 30 314                    |
|   | <i>Electrical Infrastructure</i>                    | 122 835   | 139 810                   | 149 543                   |
|   | <i>Water Supply Infrastructure</i>                  | 91 027  | 99 138                    | 106 014                   |
|   | <i>Sanitation Infrastructure</i>                    | 54 242  | 57 339                    | 60 968                    |
|   | <i>Rail Infrastructure</i>                          | 1 117   | 1 171                     | 1 227                     |
|   | <i>Information and Communication Infrastructure</i> | 3 043   | 3 195                     | 3 355                     |
|   | <b>Infrastructure</b>                               | <b>394 413</b>                                      | <b>425 616</b>            | <b>452 784</b>            |
|   | Community Facilities                                | 6 995   | 7 429                     | 7 903                     |
|   | Sport and Recreation Facilities                     | 62 740  | 66 645                    | 70 938                    |
|   | <b>Community Assets</b>                             | <b>69 734</b>                                       | <b>74 074</b>             | <b>78 842</b>             |
|   | Operational Buildings                               | 17 124  | 18 738                    | 19 982                    |
|   | Housing   | 540   | 598                       | 664                       |

**Table MBRR Table A9 - Asset Management (continued)**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>EXPENDITURE OTHER ITEMS</b>                                      |   |                           |                           |
| Computer Equipment  | 798   | 838                       | 880                       |
| Furniture and Office Equipment                                      | 28  | 29                        | 32                        |
| Machinery and Equipment   | 17 956  | 18 986                    | 19 980                    |
| Transport Assets  | 33 705  | 35 787                    | 38 025                    |
| <b>TOTAL EXPENDITURE OTHER ITEMS</b>                                | <b>911 144</b>                                      | <b>976 302</b>            | <b>1 039 088</b>          |
| <i>Renewal and upgrading of Existing Assets as % of total capex</i> | 34.4%   | 35.6%                     | 36.7%                     |
| <i>Renewal and upgrading of Existing Assets as % of deprecn</i>     | 47.6%   | 50.2%                     | 47.1%                     |
| <i>R&amp;M as a % of PPE</i>  | 10.2%   | 10.7%                     | 11.2%                     |
| <i>Renewal and upgrading and R&amp;M as a % of PPE</i>              | 13.0%   | 14.0%                     | 14.0%                     |

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. Although the City will only spend 34 per cent of the capital budget on the renewal of existing assets, this is as a result an initiative to promote economic development by the construction of various SMME structures as well as infrastructure for a new housing development.
4. Repairs and maintenance as a percentage of PPE equates to 10.2 per cent, this is above the National norm and is encouraging as additional resources are allocated to aging infrastructure.
5. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

**Figure 4 Depreciation in relation to repairs and maintenance over the MTREF**

**Table 35 MBRR Table A10 - Basic Service Delivery Measurement**

| Description                                     | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Household service targets</b>                |   |                           |                           |
| <b>Water:</b>                                   |   |                           |                           |
| Piped water inside dwelling                     | 44 308  | 44 308                    | 44 308                    |
| Piped water inside yard (but not in dwelling)   | 41 403  | 41 403                    | 41 403                    |
| Using public tap (at least min.service level)   | 498   | 498                       | 498                       |
| Other water supply (at least min.service level) | —   | —                         | —                         |
|   | <i>Minimum Service Level and Above sub-total</i>    |                           |                           |
|   | 86 209  | 86 209                    | 86 209                    |
| Using public tap (< min.service level)          | —   | —                         | —                         |
| Other water supply (< min.service level)        | 400   | 400                       | 400                       |
| No water supply                                 | —   | —                         | —                         |
|   | <i>Below Minimum Service Level sub-total</i>        |                           |                           |
|   | 400   | 400                       | 400                       |
| <b>Total number of households</b>               | <b>86 609</b>                                       | <b>86 609</b>             | <b>86 609</b>             |
| <b>Sanitation/sewage:</b>                       |   |                           |                           |
| Flush toilet (connected to sewerage)            | 43 608  | 43 608                    | 43 608                    |
| Flush toilet (with septic tank)                 | —   | —                         | —                         |
| Chemical toilet                                 | —   | —                         | —                         |
| Pit toilet (ventilated)                         | 38 063  | 38 063                    | 38 063                    |
| Other toilet provisions (> min.service level)   | —   | —                         | —                         |
|   | <i>Minimum Service Level and Above sub-total</i>    |                           |                           |
|   | 81 671  | 81 671                    | 81 671                    |
| Bucket toilet                                   | —   | —                         | —                         |
| Other toilet provisions (< min.service level)   | 4 938   | 4 938                     | 4 938                     |
| No toilet provisions                            | —   | —                         | —                         |
|   | <i>Below Minimum Service Level sub-total</i>        |                           |                           |
|   | 4 938   | 4 938                     | 4 938                     |
| <b>Total number of households</b>               | <b>86 609</b>                                       | <b>86 609</b>             | <b>86 609</b>             |
| <b>Energy:</b>                                  |   |                           |                           |
| Electricity (at least min.service level)        | —   | —                         | —                         |
| Electricity - prepaid (min.service level)       | 97 285  | 100 985                   | 105 685                   |
|   | <i>Minimum Service Level and Above sub-total</i>    |                           |                           |
|   | 97 285  | 100 985                   | 105 685                   |
| Electricity (< min.service level)               | —   | —                         | —                         |
| Electricity - prepaid (< min. service level)    | 510   | 510                       | 510                       |
| Other energy sources                            | —   | —                         | —                         |
|   | <i>Below Minimum Service Level sub-total</i>        |                           |                           |
|   | 510   | 510                       | 510                       |
| <b>Total number of households</b>               | <b>97 795</b>                                       | <b>101 495</b>            | <b>106 195</b>            |
| <b>Refuse:</b>                                  |   |                           |                           |
| Removed atleast once a week                     | 70 000  | 72 000                    | 74 000                    |
|   | <i>Minimum Service Level and Above sub-total</i>    |                           |                           |
|   | 70 000  | 72 000                    | 74 000                    |
| Removed less frequently than once a week        | —   | —                         | —                         |
| Using communal refuse dump                      | —   | —                         | —                         |
| Using own refuse dump                           | —   | —                         | —                         |
| Other rubbish disposal                          | —   | —                         | —                         |
| No rubbish disposal                             | 16 609  | 14 609                    | 12 609                    |
|   | <i>Below Minimum Service Level sub-total</i>        |                           |                           |
|   | 16 609  | 14 609                    | 12 609                    |
| <b>Total number of households</b>               | <b>86 609</b>                                       | <b>86 609</b>             | <b>86 609</b>             |

**Table MBRR Table A10 - Basic Service Delivery Measurement (continued)**

| Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Households receiving Free Basic Service</b>  |   |                           |                           |
| Water (6 kilolitres per household per month)  | 50 835  | 51 105                    | 52 300                    |
| Sanitation (free minimum level service)   | 40 695  | 41 101                    | 42 195                    |
| Electricity/other energy (50kwh per household per month)  | 518   | 522                       | 533                       |
| Refuse (removed at least once a week)   | 18 594  | 19 210                    | 19 775                    |
| <b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>  |   |                           |                           |
| Water (6 kilolitres per <b>indigent</b> household per month)  | 102 055   | 107 158                   | 112 516                   |
| Sanitation (free sanitation service to <b>indigent households</b> )   | 21 537  | 22 613                    | 23 744                    |
| Electricity/other energy (50kwh per <b>indigent</b> household per month)  | 921   | 967                       | 1 016                     |
| Refuse (removed once a week for <b>indigent households</b> )  | 14 943  | 15 690                    | 16 475                    |
| <b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>                                   | -   | -                         | -                         |
| <b>Total cost of FBS provided</b>   | <b>139 456</b>                                      | <b>146 429</b>            | <b>153 750</b>            |
| <b>Highest level of free service provided per household</b>   |   |                           |                           |
| Property rates (R value threshold)  | 120 000   | 120 000                   | 120 000                   |
| Water (kilolitres per household per month)  | 6   | 6                         | 6                         |
| Sanitation (kilolitres per household per month)   | 20  | 20                        | 20                        |
| Sanitation (Rand per household per month)   | 154   | 154                       | 154                       |
| Electricity (kwh per household per month)   | 50  | 50                        | 50                        |
| Refuse (average litres per week)  | 240   | 240                       | 240                       |
| <b>Revenue cost of subsidised services provided (R'000)</b>   |   |                           |                           |
| Property rates (tariff adjustment) ( <b>impermissible values per section 17 of MPRA</b> )                           | 3 993   | 4 193                     | 4 402                     |
| Property rates exemptions, reductions and rebates and <b>impermissible values in excess of section 17 of MPRA</b> ) | 50 915  | 53 461                    | 56 134                    |
| Water ( <b>in excess of 6 kilolitres per indigent household per month</b> )   | 121 226   | 127 288                   | 133 652                   |
| Sanitation ( <b>in excess of free sanitation service to indigent households</b> )                                   | 5 830   | 6 121                     | 6 427                     |
| Electricity/other energy ( <b>in excess of 50 kwh per indigent household per month</b> )                            | 4 776   | 5 014                     | 5 265                     |
| Refuse ( <b>in excess of one removal a week for indigent households</b> )   | 1 192   | 1 252                     | 1 314                     |
| Municipal Housing - rental rebates  | -   | -                         | -                         |
| Housing - top structure subsidies   | -   | -                         | -                         |
| Other   | -   | -                         | -                         |
| <b>Total revenue cost of subsidised services provided</b>   | <b>187 932</b>                                      | <b>197 328</b>            | <b>207 195</b>            |

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The City continues to make progress with the eradication of backlogs.
3. The budget provides for a universal approach to the provision of free subsidised services to both indigent and poor households for the 2017/18 MTREF.
4. **This Municipality is of the view that following the strict Indigent route of free basic services for indigent consumers only and ignoring the plight of the poor and less wealthy is not the correct approach in the application of the Equitable Share and the equitable distribution that arises from tiered or block tariffs.** The cost of free basic services amounts to R 139.4 million. It needs to be noted that this table does not cater for the cross subsidisation value of the lower end tariffs in the tiered structure of basic service charges. This implies that the values reflected as Free Basic Services and the revenue cost are in reality much higher should one include the cross-subsidisation that takes place within the lower end of the tariffs. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 36 2017/18 Cross subsidisation versus Free Basic Services**

#### Summary

| Source       | Free               | Subsidy            | Total              |
|--------------|--------------------|--------------------|--------------------|
| Waste        | 14 943 068         | 1 192 275          | 16 135 343         |
| Sanitation   | 21 536 614         | 5 829 619          | 27 366 233         |
| Rates        | 0                  | 23 870 053         | 23 870 053         |
| Rates        | 0                  | 19 967 121         | 19 967 121         |
| Water        | 102 055 031        | 121 226 224        | 223 281 255        |
| Electricity  | 921 197            | 4 775 517          | 5 696 714          |
| <b>Total</b> | <b>139 455 911</b> | <b>176 860 809</b> | <b>316 316 720</b> |

5. Cost of Free Basic Services provided - Informal Formal Settlements – After an internal consultation with the Management of the Revenue Section it has been agreed that the cost of Free Basic Services provided for Informal Formal Settlements will be extracted from the Financial System in preparation for the 2018/19 MTREF.

## 2 Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the following Councillors and officials:

- Mayor
- Deputy Mayor
- Speaker
- Municipal Chief Whip
- Municipal Manager
- Chief Financial Officer – Chairperson
- Deputy Municipal Managers
- Any other official on invitation

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled at the Finance Portfolio Committee the required the budget time schedule on 14 September 2016. The report was subsequently adopted by Council on 14 September 2016. Key dates applicable to the process were:

- **August 2016** – Joint strategic planning session of the Financial Services Management team and the Budget Office. Aim: to assess Council's 2015/16 Financial Statements and current year's (2016/17) revised results and capacity, to determine the impact on future strategies and budgets;
- **September 2016** – Issuing of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) guideline addressing various budget assumptions, internal budget processes, policies and requirements in terms of the Municipal Budgeting and Reporting Regulations etc.;
- **November 2016** - Submission of the Adjusted Capital and Operating Budget for the 2016/17 Medium Term Revenue and Expenditure Framework Plan (MTTREF),

analysed according to activities aligned to Council's strategic objectives, as set out in the draft IDP as well as the Capital and Operating Budget for the 2017/18 Medium Term Revenue and Expenditure Framework Plan (MTTREF);

- **24 January 2017** - Council considered the 2016/17 Mid-year Review and 2016/17 Adjusted Budget;
- **23 to 24 February 2017** – National Treasury's Mid-year Budget and Performance Assessment Visit;
- **31 March 2017** - Tabling in Council of the Draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- **April 2017** – Public consultation;
- **16 May 2017** – National Treasury's 2017/18 Tabled MTREF Engagement and Municipal Benchmarking Exercise;
- **12 May 2017** - Closing date for written comments;
- **15 to 19 May 2017** – finalisation of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2017** - Tabling of the 2017/18 MTREF before Council for consideration and approval.

There have been no significant deviations from the key dates set out in the Budget Time Schedule adopted by Council.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

In 2012, Council adopted its 2012/2017 IDP which intended to provide strategic direction and operational planning for the City for the current term of office. In line with the provisions of the legislation as discussed below and to address emerging developments as they relate to the approved 2012/2017, the 2016/2017 IDP revision is submitted to the Executive Committee for recommendation to Council for approval.

Integrated Development Planning is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

uMhlathuze's Integrated Development Plan is a super plan for the organisation which gives an overall framework for development, it's a strategic tool that guides and informs planning, budgeting and managing. Our IDP aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in our jurisdiction. It takes into account the existing conditions and problems and resources available for development. The plan looks at economic and social development for the area as a whole. Amongst other things it also sets a framework for how land should be used (SDF), what infrastructure and services are needed and provided.

2016/2017 Final IDP was the last review of the 2012/2017 Five year IDP. Council is in a process of drafting the 2017/2021 Fourth Generation IDP which will come into effect after its adoption by Council in May 2017. Like the third generation IDP, the Fourth Generation is outcome based and built on the foundations of Government Priorities which includes national Development Plan, Provincial Development Plan, State of the Nation Address, State of the Province Address and other important government priorities.

Through the IDP, Government priorities are translated in our strategic framework and escalated to Strategic Goals, Strategic Objectives, Strategies, Key Performance indicators, which are then further developed into programs and projects. This directly informs the municipal Service Delivery and Budget Implementation Plan. This fair alignment between IDP and Government priorities is confirmed through our budgeting, which takes into serious

consideration the strategic objectives when budgeting. That is consistent confirmation that uMhlathuze is fully respond to the NDP, PDGP, DGDS and national priorities.

Special consideration to the IDP Review 2016/2017 was given to the following:

- Development of the Economic Roadmap for uMhlathuze Municipality
- Alignment with Government Priorities;
- Presidential Back to Basics Programme
- Re-determination of Municipal Boundaries as per KZN Provincial Government gazette No:1042
- Public Participation Comments as per Public Participation Report;
- MEC Letter, Assessment comments on the Final IDP Review 2015/16;
- Self-Assessment;
- Different Stakeholder Comments and Requirements
- Legislative Compliance in terms of Chapter, 4, 5 and 6 of MSA Act No 32 of 2000
- Review of Sector plans

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjusted budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and second quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- City growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85 and 86 has been taken into consideration in the planning and prioritisation process.

### 2.1.4 Community Consultation

The 2017/18 MTREF that will be tabled before Council on 31<sup>st</sup> March 2017 will be presented to the community for consultation.

An insert will be included in the local newspapers highlighting the Tabled 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) thereby inviting comments from the public.

Furthermore, the Executive Committee will approve a schedule of public meetings to be held at various locations to provide an opportunity for the public to comment on the budget.

A meeting is also scheduled with the AmaKhosi and their leadership in order to strengthen Council's relationship with traditional leaders.

The dual approach that provides for the engagement of Ward Committees firstly and thereafter the broad community, proved to be a success in the previous years' budget public participation processes. It created a sense of ownership and belonging to the Ward Committees and allowed them to assist in various ways during the process of broader community participation.

The administrative planning process also took into consideration the cluster approach that was used in the previous years' budget public participation. The advantage and benefit for the use of clusters is that it creates a shared sense of belonging amongst the citizens as well as an understanding of the diverse issues and needs amongst the community of the Municipality. The clusters have however been combined for the 2017/18 Budget Participation process in light of the impending Local Government Elections.

The following table set out the meetings that were proposed and prepared by the Community Facilitation section for the 2017/18 budget public participation meetings:

| CLUSTER     | WARDS   | AREA                                 | VENUE                                 | PROPOSED DATES           | TIME  |
|-------------|---|--------------------------------------|---------------------------------------|--------------------------|-------|
| 1           | Ward Committees   | Ward Committees                      | eMpangeni Civic Centre (Hall)         | 06 April 2017 (Thursday) | 17:00 |
|             | Amakhosi  | Amakhosi                             | R/Bay Civic Centre (Council Chambers) | 07 April 2017 (Friday)   | 11:00 |
| 2, 3 & 5    | 1, 2, 3, 4, 5, 6, 7, 8 & 26                                 | Richards Bay and Nseleni             | Mzuvukile Sportsfield                 | 23 April 2017 (Sunday)   | 13:00 |
| 12          | Stakeholders  | Stakeholders                         | R/Bay Civic Centre (Council Chambers) | 03 May 2017 (Tuesday)    | 17:00 |
| 6, 10 & 11  | 9, 23, 24, 25, 27, 28, 29, 31, 32, 33                       | Empangeni, Ngwelezane and Ntambanana | Ngwelezane New Sportsfield            | 07 May 2017 (Sunday)     | 13:00 |
| 4, 7, 8 & 9 | 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 30 & 34 | eSikhaleni and Vulindela             | eSikhaleni TVET (College)             | 20 May 2017 (Saturday)   | 13:00 |

**Table 37 Proposed dates for the 2017/18 budget public participation meetings**

The programme is an endeavour to ensure maximum participation, particularly by Council's role-players. The programme is rigorous, extensive and gruelling due to time constraints as previously mentioned, largely exacerbated by public holidays that in the main create extended weekends that would make it difficult to hold meetings on those days, i.e. Easter Weekend, Freedom Day and Workers' Day etc.

The Tabled Budget will also be published on the municipality's website, and detailed copies of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) were made available for inspection at all municipal offices and libraries within the City of uMhlathuze.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions that were received during the community consultation process have been addressed, and where relevant, considered as part of the finalisation of the 2017/18 MTREF. Feedback and responses to the submissions received will be available.

The following pertinent issues were raised during the community consultation process. Minutes of the various meetings have been prepared and have been included as **Annexure M (DMS 1204466)**.

- Maintenance of Madlanzini road;
- Pedestrian bridges;
- Water losses – community reporting issues- delays in resolving issues;
- Rural sports facilities;
- Provision of community sportfields;
- Streetlights in high crime areas;
- Improved communication with regards to water interruption etc.;
- Sponsorship for agricultural projects;
- Multi-purpose centres to be fully utilised;
- Electricity supply in Eskom supply areas;
- Provision of halls clinics and libraries;
- Improvements to Richards Bay Fire Station;
- RDP Housing;
- Shopping facilities in Nseleni;
- Water storage tanks (Jo-Jo tanks);
- Public W-Fi; and
- Community Waste Skips.

## 2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which

municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance are reflected in the IDP uMhlathuze municipality. The City of uMhlathuze has a clear understanding of such intent, and is therefore consistently ensuring that strategically it complies with the key national and provincial priorities.

The IDP drives the strategic development of the Municipality. The Municipality's budget is fully influenced by the strategic objectives identified in the IDP. The service delivery budget implementation plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The performance of the Municipality is tabled in its Annual report.

Below is the table which shows the link between IDP, Budget and National and Provincial objectives.

**Table 38 Link between Budget and National and Provincial Macroeconomic Objectives**

| National KPA   | uMhlathuze Strategies                           | uMhlathuze Mission  | MDG  | National Plan Priorities | 12 National Outcomes   | 5 National Priorities                            | PGDS Goals                      |
|--|---|---|--|--------------------------|--|--|---------------------------------|
| Good Governance and Public Participation               | Good Governance                                 |   | Develop a Global Partnership for Development | Inclusive Planning       | Responsive, accountable, effective and efficient local government system   | Nation Building and Good Governance              | Governance and Policy           |
|  |   |   |  | Unite the Nation         |  |  |                                 |
|  |   |   |  | Fight Corruption         |  |  |                                 |
| Basic Service Delivery and Infrastructure Provision    | Sustainable Infrastructure and Service Delivery |   |  | Expand Infrastructure    | An efficient, competitive and responsive infrastructure network  |  | Strategic Infrastructure        |
|  |   | Planned Rural Development Interventions                     |  |                          | Vibrant, equitable, sustainable rural communities contributing towards food security for all                     |  |                                 |
|  |   | Maintaining Consistent Spatial Development                  |  |                          | Sustainable human settlements and improved quality of household life   |  | Spatial Equity                  |
|  |   | Commitment to Sustainable Environmental Management          | Ensure environmental sustainability          |                          | Protect and enhance our environmental assets and natural resources   |  | Response to Climate Change      |
| Local Economic Development                             | Social and Economic Development                 | Job Creation through Economic Development                   | Eradicate extreme Poverty and Hunger         | Create Jobs              |  | Job Creation                                     | Job Creation                    |
|  |   | Improve Citizens Skills Levels and Education                | Achieve Universal Primary Education          | Quality Education        | Skilled and capable workforce to support an inclusive growth path  | Education  |                                 |
|  |   |   |  |                          | Quality basic education  |  |                                 |
|  |   | Improve Quality of Citizens Health                          | Combat HIV/Aids, malaria and other diseases  | Quality Healthcare       | A long and healthy life for all South Africans   | Health   |                                 |
|  |   |   | Reduce Child Mortality                       |                          |  |  |                                 |
|  |   | Planned Rural Development Interventions                     |  |                          | Decent employment through inclusive economic growth  | Rural development, food security and land reform |                                 |
|  |   | Creation of Secure and Friendly City through Fighting Crime | Promote Gender Equality and Empower Women    |                          | All people in South Africa are and feel safe   | Fighting crime and corruption                    |                                 |
| Municipal Institutional Development and Transformation | Institutional Development                       |   |  | Build a Capable State    | Create a better South Africa, a better Africa, and a better world  |  | Human Resource Development      |
|  |   |   |  |                          | An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship |  | Human and Community Development |
| Municipal Financial Viability and Management           | Sound Financial Management                      |   |  | Use Resources Properly   |  |  |                                 |

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 39 MBRR SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

| Strategic Objective<br>R thousand   | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|-----------|---|---------------------------|---------------------------|
|   |   |           | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 1: Good Governance and Public Participation</b>                         |   |           |   |                           |                           |
| 1.1 Democratic, Responsible, Transparent , Objective And Equitable Municipal Governance | To ensure effective and efficient administration complying with its Legal Mandates  | 1.1.1     | 3 605   | 190                       | 203                       |
|   | To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance   | 1.1.2     | -   | -                         | -                         |
|   | Ensure Institutionalisation of Batho Pele Culture and Principles  | 1.1.3     | -   | -                         | -                         |
|   | To promote a municipal governance system that enhances and embraces the system of participatory Governance  | 1.1.4     | -   | -                         | -                         |
|   | To promote and foster sound internal and external communication   | 1.1.5     | 335   | 351                       | 375                       |
|   | To Promote Access to Information and Accountability   | 1.1.6     | 3 576   | 3 749                     | 4 000                     |
|   | To develop and review policies that will lead to improved service delivery and legislative compliance   | 1.1.7     | -   | -                         | -                         |
| 1.2 Risk Governance   | To ensure that the risk maturity of the organisation is at an enabled level (risk management and internal control fully embedded into the operations of the organisation, high level understanding of risk, effective risk management system) | 1.2.1     | -   | -                         | -                         |
|   | Ensure reliable, and maintain independence of internal and external audit   | 1.2.2     | -   | -                         | -                         |
|   | Ensure Compliance with Relevant legislation   | 1.2.3     | 13  | 14                        | 15                        |
|   | Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases   | 1.2.4     | -   | -                         | -                         |
| <b>National KPA 2: Basic Services and Infrastructure Provision</b>                      |   |           |   |                           |                           |
| 2.1 Efficient and integrated infrastructure and services                                | To expand and maintain infrastructure in order to Improve access to Basic Services to the community   | 2.1.1     | 2 304 905   | 2 442 152                 | 2 635 779                 |
|   | To expand and maintain Road infrastructure in order to improve access and promote Local Economic development  | 2.1.2     | 30 013  | 31 668                    | 33 438                    |
|   | To promote the achievement of a non-racial, integrated society, through the development of sustainable human settlements and quality housing  | 2.1.3     | 4 131   | 4 199                     | 4 290                     |
|   | To ensure effective Fleet Management  | 2.1.4     | 276   | 290                       | 310                       |
|   | Maintenance of Municipal fixed assets   | 2.1.5     | 2 929   | 2 035                     | 2 176                     |

**Table MBRR SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue (continued)**

| Strategic Objective<br>R thousand  | Goal   | Goal Code                        | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|--|----------------------------------|---|---------------------------|---------------------------|
|  |  |                                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 3: Local Economic Development</b>  |  |                                  |   |                           |                           |
| 3.1 Viable Economic Growth And Development   | To create an environment that will create jobs and alleviate poverty.<br>To implement and co-ordinate Expanded Public Works Programme (EPWP) in a manner that enhances skills development and optimizes decent employment and entrepreneurship<br>To promote Local tourism   | 3.1.1<br>3.1.2<br>3.1.3          | 2 101<br>4 143<br>697                               | 2 207<br>-<br>730         | 2 351<br>-<br>781         |
| 3.2 Public Safety and Security   | Provision of efficient and effective security services<br>To ensure Provision of fire – and rescue services  | 3.2.1<br>3.2.2                   | 2 768<br>844  | 2 905<br>875              | 3 056<br>924              |
| 3.3 Safe and Healthy Living Environment  | Efficient an effective waste management services<br>To ensure air quality management<br>Development of Cemeteries  | 3.3.1<br>3.3.2<br>3.3.3          | 135 006<br>9<br>549                                 | 145 530<br>9<br>568       | 156 991<br>10<br>600      |
| 3.4 Social Cohesion  | To promote social cohesion<br>To promote arts and cultural services  | 3.4.1<br>3.4.2                   | 21 435<br>9 958                                     | 22 636<br>10 454          | 24 031<br>10 946          |
| <b>National KPA 4 : Municipal Institutional Development and Transformation</b>                   |  |                                  |   |                           |                           |
| 4.1 Municipality Resourced and Committed to attaining the vision and mission of the organisation | To create an Appropriate organisational climate that will attract and retain appropriate skills<br>To Improve Citizens Skills levels and Education<br>To ensure Sound Relationship between management and labour<br>To ensure maintenance of an organisational structure that is in line with organisational objectives and optimises service delivery | 4.1.1<br>4.1.2<br>4.1.3<br>4.1.4 | 6 513<br>-<br>-<br>-                                | 6 613<br>-<br>-<br>-      | 6 878<br>-<br>-<br>-      |
| <b>National KPA 5: Municipal Financial Viability and Management</b>                              |  |                                  |   |                           |                           |
| 5.1 Sound Financial And Supply Chain Management  | Compliance with financial legislation and policies<br>Sustainable Financial and supply chain Management  | 5.1.1<br>5.1.2                   | 506 547<br>767                                      | 528 734<br>798            | 567 395<br>854            |

**Table MBRR SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue (continued)**

| Strategic Objective<br>R thousand                                    | Goal  | Goal<br>Code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           |
|--|---|--------------|--|---------------------------|---------------------------|
|  |   |              | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 6: Cross Cutting</b>                                 |   |              |  |                           |                           |
| 6.1 Integrated Urban and Rural Development                           | To plan areas for future development and formalisation          | 6.1.1        | –  | –                         | –                         |
|  | To promote environmental conservation and protection            | 6.1.2        | –  | –                         | –                         |
|  | To ensure effective Land Use Management and Building Management | 6.1.3        | –  | –                         | –                         |
| 6.2 Immovable Property Management                                    | To ensure fair valuation of properties                          | 6.2.1        | –  | –                         | –                         |
|  | Effective Management of Council owned Immovable properties.     | 6.2.2        | 1 626  | 1 704                     | 1 822                     |
| 6.3 Disaster Management  | To prevent and mitigate disaster incidents                      | 6.3.1        | –  | –                         | –                         |
| Allocations to other priorities                                      |   |              |  |                           |                           |
| <b>Total Revenue (including capital transfers and contributions)</b> |   |              | <b>3 042 745</b>                                       | <b>3 208 410</b>          | <b>3 457 223</b>          |

**Table 40 MBRR SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

| Strategic Objective<br>R thousand   | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|-----------|---|---------------------------|---------------------------|
|   |   |           | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 1: Good Governance and Public Participation</b>                         |   |           |   |                           |                           |
| 1.1 Democratic, Responsible, Transparent , Objective And Equitable Municipal Governance | To ensure effective and efficient administration complying with its Legal Mandates  | 1.1.1     | 27 552  | 25 762                    | 27 431                    |
|   | To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance   | 1.1.2     | -   | -                         | -                         |
|   | Ensure Institutionalisation of Batho Pele Culture and Principles  | 1.1.3     | -   | -                         | -                         |
|   | To promote a municipal governance system that enhances and embraces the system of participatory Governance  | 1.1.4     | -   | -                         | -                         |
|   | To promote and foster sound internal and external communication   | 1.1.5     | 3 881   | 4 182                     | 4 495                     |
|   | To Promote Access to Information and Accountability   | 1.1.6     | 12 332  | 13 277                    | 14 245                    |
|   | To develop and review policies that will lead to improved service delivery and legislative compliance   | 1.1.7     | -   | -                         | -                         |
| 1.2 Risk Governance   | To ensure that the risk maturity of the organisation is at an enabled level (risk management and internal control fully embedded into the operations of the organisation, high level understanding of risk, effective risk management system) | 1.2.1     | 1 319   | 1 407                     | 1 496                     |
|   | Ensure reliable, and maintain independence of internal and external audit   | 1.2.2     | 13  | 14                        | 16                        |
|   | Ensure Compliance with Relevant legislation   | 1.2.3     | 1 491   | 1 593                     | 1 696                     |
|   | Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases   | 1.2.4     | -   | -                         | -                         |
| <b>National KPA 2: Basic Services and Infrastructure Provision</b>                      |   |           |   |                           |                           |
| 2.1 Efficient and integrated infrastructure and services                                | To expand and maintain infrastructure in order to Improve access to Basic Services to the community   | 2.1.1     | 1 964 240   | 2 054 062                 | 2 202 286                 |
|   | To expand and maintain Road infrastructure in order to improve access and promote Local Economic development  | 2.1.2     | 261 727   | 273 374                   | 288 615                   |
|   | To promote the achievement of a non-racial, integrated society, through the development of sustainable human settlements and quality housing  | 2.1.3     | 19 319  | 20 578                    | 22 028                    |
|   | To ensure effective Fleet Management  | 2.1.4     | (190)   | 369                       | 703                       |
|   | Maintenance of Municipal fixed assets   | 2.1.5     | 51 545  | 56 323                    | 61 438                    |

**Table MBRR SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure (continued)**

| Strategic Objective<br>R thousand  | Goal   | Goal Code                        | 2017/18 Medium Term Revenue & Expenditure Framework |                             |                             |
|--|--|----------------------------------|---|-----------------------------|-----------------------------|
|  |  |                                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19   | Budget Year<br>+2 2019/20   |
| <b>National KPA 3: Local Economic Development</b>  |  |                                  |   |                             |                             |
| 3.1 Viable Economic Growth And Development   | To create an environment that will create jobs and alleviate poverty.<br>To implement and co-ordinate Expanded Public Works Programme (EPWP) in a manner that enhances skills development and optimizes decent employment and entrepreneurship<br>To promote Local tourism   | 3.1.1<br>3.1.2<br>3.1.3          | 52 315<br>4 143<br>6 740                            | 54 656<br>-<br>7 125        | 58 431<br>-<br>7 490        |
| 3.2 Public Safety and Security   | Provision of efficient and effective security services<br>To ensure Provision of fire – and rescue services  | 3.2.1<br>3.2.2                   | 55 848<br>63 537                                    | 60 049<br>69 174            | 64 371<br>74 937            |
| 3.3 Safe and Healthy Living Environment  | Efficient an effective waste management services<br>To ensure air quality management<br>Development of Cemeteries  | 3.3.1<br>3.3.2<br>3.3.3          | 129 154<br>9 481<br>11 118                          | 138 665<br>10 385<br>11 841 | 148 409<br>11 317<br>12 589 |
| 3.4 Social Cohesion  | To promote social cohesion<br>To promote arts and cultural services  | 3.4.1<br>3.4.2                   | 142 190<br>28 567                                   | 154 334<br>30 828           | 166 806<br>33 131           |
| <b>National KPA 4 : Municipal Institutional Development and Transformation</b>                   |  |                                  |   |                             |                             |
| 4.1 Municipality Resourced and Committed to attaining the vision and mission of the organisation | To create an Appropriate organisational climate that will attract and retain appropriate skills<br>To Improve Citizens Skills levels and Education<br>To ensure Sound Relationship between management and labour<br>To ensure maintenance of an organisational structure that is in line with organisational objectives and optimises service delivery | 4.1.1<br>4.1.2<br>4.1.3<br>4.1.4 | 11 589<br>-<br>-<br>-                               | 12 052<br>-<br>-<br>-       | 12 691<br>-<br>-<br>-       |
| <b>National KPA 5: Municipal Financial Viability and Management</b>                              |  |                                  |   |                             |                             |
| 5.1 Sound Financial And Supply Chain Management  | Compliance with financial legislation and policies<br>Sustainable Financial and supply chain Management  | 5.1.1<br>5.1.2                   | 15 338<br>2 129                                     | 16 075<br>2 277             | 16 944<br>2 427             |

**Table MBRR SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure (continued)**

| Strategic Objective<br>R thousand                                   | Goal  | Goal<br>Code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           |
|---|---|--------------|--|---------------------------|---------------------------|
|   |   |              | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 5: Municipal Financial Viability and Management</b> |   |              |  |                           |                           |
| 5.1 Sound Financial And Supply Chain Management                     | Compliance with financial legislation and policies              | 5.1.1        | 15 338   | 16 075                    | 16 944                    |
|   | Sustainable Financial and supply chain Management               | 5.1.2        | 2 129  | 2 277                     | 2 427                     |
| <b>National KPA 6: Cross Cutting</b>                                |   |              |  |                           |                           |
| 6.1 Integrated Urban and Rural Development                          | To plan areas for future development and formalisation          | 6.1.1        | —  | —                         | —                         |
|   | To promote environmental conservation and protection            | 6.1.2        | —  | —                         | —                         |
|   | To ensure effective Land Use Management and Building Management | 6.1.3        | —  | —                         | —                         |
| 6.2 Immovable Property Management                                   | To ensure fair valuation of properties                          | 6.2.1        | 3 365  | 3 575                     | 3 793                     |
|   | Effective Management of Council owned Immovable properties.     | 6.2.2        | 1 742  | 1 891                     | 2 045                     |
| 6.3 Disaster Management   | To prevent and mitigate disaster incidents                      | 6.3.1        | 2 258  | 2 629                     | 3 022                     |
| <b>Allocations to other priorities</b>                              |   |              |  |                           |                           |
| <b>Total Expenditure</b>  |   |              | <b>2 882 744</b>                                       | <b>3 026 497</b>          | <b>3 242 848</b>          |

**Table 41 MBRR SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

| Strategic Objective<br>R thousand   | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|-----------|---|---------------------------|---------------------------|
|   |   |           | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 1: Good Governance and Public Participation</b>                         |   |           |   |                           |                           |
| 1.1 Democratic, Responsible, Transparent , Objective And Equitable Municipal Governance | To ensure effective and efficient administration complying with its Legal Mandates  | 1.1.1     | 119   | 220                       | 182                       |
|   | To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance   | 1.1.2     | -   | -                         | -                         |
|   | Ensure Institutionalisation of Batho Pele Culture and Principles  | 1.1.3     | -   | -                         | -                         |
|   | To promote a municipal governance system that enhances and embraces the system of participatory Governance  | 1.1.4     | -   | -                         | -                         |
|   | To promote and foster sound internal and external communication   | 1.1.5     | 43 453  | 80 342                    | 13 263                    |
|   | To Promote Access to Information and Accountability   | 1.1.6     | -   | -                         | -                         |
|   | To develop and review policies that will lead to improved service delivery and legislative compliance   | 1.1.7     | 600   | -                         | -                         |
|   | To ensure that the risk maturity of the organisation is at an enabled level (risk management and internal control fully embedded into the operations of the organisation, high level understanding of risk, effective risk management system) | 1.2.1     | 180   | -                         | -                         |
| 1.2 Risk Governance   | Ensure reliable, and maintain independence of internal and external audit   | 1.2.2     | -   | -                         | -                         |
|   | Ensure Compliance with Relevant legislation   | 1.2.3     | -   | -                         | -                         |
|   | Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases   | 1.2.4     | 1 110   | 700                       | 700                       |
| <b>National KPA 2: Basic Services and Infrastructure Provision</b>                      |   |           |   |                           |                           |
| 2.1 Efficient and integrated infrastructure and services                                | To expand and maintain infrastructure in order to Improve access to Basic Services to the community   | 2.1.1     | 256 013   | 275 842                   | 311 009                   |
|   | To expand and maintain Road infrastructure in order to improve access and promote Local Economic development  | 2.1.2     | 94 210  | 100 702                   | 113 305                   |
|   | To promote the achievement of a non-racial, integrated society, through the development of sustainable human settlements and quality housing  | 2.1.3     | -   | -                         | -                         |
|   | To ensure effective Fleet Management  | 2.1.4     | 55 896  | 45 478                    | 44 285                    |
|   | Maintenance of Municipal fixed assets   | 2.1.5     | 35 035  | 22 512                    | 27 270                    |

**Table MBRR SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure (continued)**

| Strategic Objective<br>R thousand  | Goal   | Goal Code                        | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|--|----------------------------------|---|---------------------------|---------------------------|
|  |  |                                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 3: Local Economic Development</b>  |  |                                  |   |                           |                           |
| 3.1 Viable Economic Growth And Development   | To create an environment that will create jobs and alleviate poverty.<br>To implement and co-ordinate Expanded Public Works Programme (EPWP) in a manner that enhances skills development and optimizes decent employment and entrepreneurship<br>To promote Local tourism   | 3.1.1<br>3.1.2<br>3.1.3          | 9 867<br>-<br>-                                     | 5 312<br>-<br>-           | 1 902<br>-<br>-           |
| 3.2 Public Safety and Security   | Provision of efficient and effective security services<br>To ensure Provision of fire – and rescue services  | 3.2.1<br>3.2.2                   | -<br>275  | -<br>-                    | -<br>-                    |
| 3.3 Safe and Healthy Living Environment  | Efficient an effective waste management services<br>To ensure air quality management<br>Development of Cemeteries  | 3.3.1<br>3.3.2<br>3.3.3          | 3 000<br>740<br>900                                 | 1 600<br>200<br>945       | 1 160<br>210<br>1 100     |
| 3.4 Social Cohesion  | To promote social cohesion<br>To promote arts and cultural services  | 3.4.1<br>3.4.2                   | 14 598<br>5 260                                     | 26 742<br>5 290           | 27 925<br>4 902           |
| <b>National KPA 4 : Municipal Institutional Development and Transformation</b>                   |  |                                  |   |                           |                           |
| 4.1 Municipality Resourced and Committed to attaining the vision and mission of the organisation | To create an Appropriate organisational climate that will attract and retain appropriate skills<br>To Improve Citizens Skills levels and Education<br>To ensure Sound Relationship between management and labour<br>To ensure maintenance of an organisational structure that is in line with organisational objectives and optimises service delivery | 4.1.1<br>4.1.2<br>4.1.3<br>4.1.4 | -<br>-<br>-<br>-                                    | -<br>-<br>-<br>-          | -<br>-<br>-<br>-          |
| <b>National KPA 5: Municipal Financial Viability and Management</b>                              |  |                                  |   |                           |                           |
| 5.1 Sound Financial And Supply Chain Management  | Compliance with financial legislation and policies<br>Sustainable Financial and supply chain Management  | 5.1.1<br>5.1.2                   | -<br>-  | -<br>-                    | -<br>-                    |

**Table MBRR SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure (continued)**

| Strategic Objective<br>R thousand          | Goal  | Goal<br>Code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           |
|--|---|--------------|--|---------------------------|---------------------------|
|  |   |              | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>National KPA 6: Cross Cutting</b>       |   |              |  |                           |                           |
| 6.1 Integrated Urban and Rural Development | To plan areas for future development and formalisation          | 6.1.1        | –  | 890                       | 940                       |
|  | To promote environmental conservation and protection            | 6.1.2        | –  | –                         | –                         |
|  | To ensure effective Land Use Management and Building Management | 6.1.3        | –  | –                         | –                         |
| 6.2 Immovable Property Management          | To ensure fair valuation of properties                          | 6.2.1        | –  | –                         | –                         |
|  | Effective Management of Council owned Immovable properties.     | 6.2.2        | –  | –                         | –                         |
| 6.3 Disaster Management                    | To prevent and mitigate disaster incidents                      | 6.3.1        | –  | –                         | –                         |
| <b>Allocations to other priorities</b>     |   |              |  |                           |                           |
| <b>Total Capital Expenditure</b>           |   |              | <b>521 255</b>   | <b>566 774</b>            | <b>548 154</b>            |

## 2.3 Measurable performance objectives and indicators

### Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Senior Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

#### *"Annual performance reports*

46. (1) *A municipality must prepare for each financial year a performance report reflecting -*
  - (a) *the performance of the municipality and of each external service provider during that financial year;*
  - (b) *a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
  - (c) *measures taken to improve performance.*
- (2) *An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."*

### Performance Management framework

The first performance management framework was adopted by the uMhlathuze Municipality on 28 May 2002. The framework was reviewed and amended during 2012/2013 financial year to align with the best practice guidelines suggested by the then Department of Provincial and Local Government and Traditional Affairs of Kwazulu-Natal.

The framework/policy was again reviewed in May 2015 to address the Auditor General's finding that the municipality did not have documented and approved internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting of performance information.

The Reviewed Performance Management Framework and Policy has been enhanced to include the National Treasury Communications Directive: Framework for Managing Programme Performance Information (FMPPI). The Local Government Regulations on the appointment and conditions of employment of Senior Managers (Reg. 21 of 17 January 2014) were also included in the reviewed framework, since it was promulgated after the adoption of the previous Performance Management Framework and Policy.

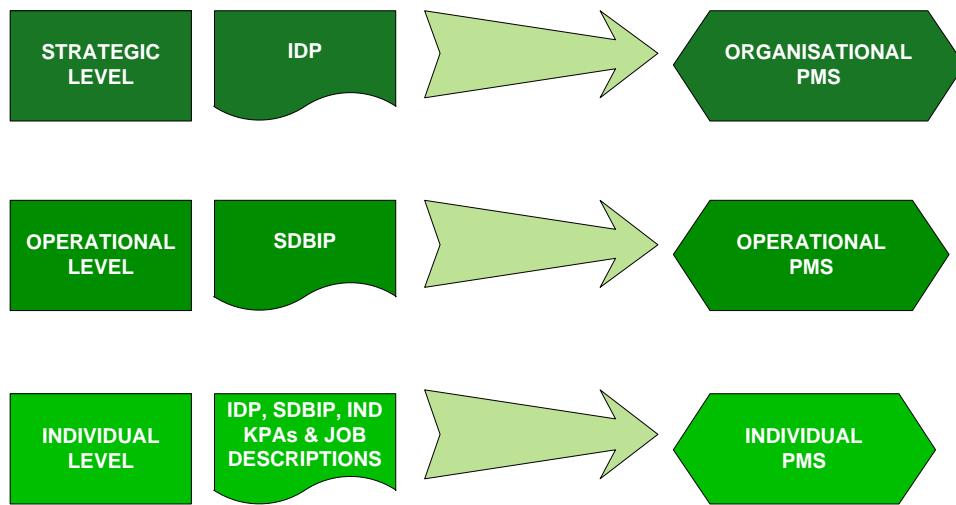
The reviewed Performance Management Framework/Policy has been adopted in June 2016, per item on RPT 160112 and framework/policy document on DMS 1122026 together with the newly established Standard Operating Procedure (DMS 1077198) to clarify the processes to collect, collate, verify and store of performance information and documents are available on Councils official website ([www.umhlathuze.gov.za](http://www.umhlathuze.gov.za) under the “Performance Management” link).

The Organisational Performance Management function of uMhlathuze Municipality is delivered by an internal Performance Management Unit within the Office of the Municipal Manager under the direct supervision of the Chief Operations Officer. The Performance Management unit consists of two permanent employees, i.e. one post of Manager: Performance Management and one post of Performance Management Specialist.

### **Organisational Performance Management Process**

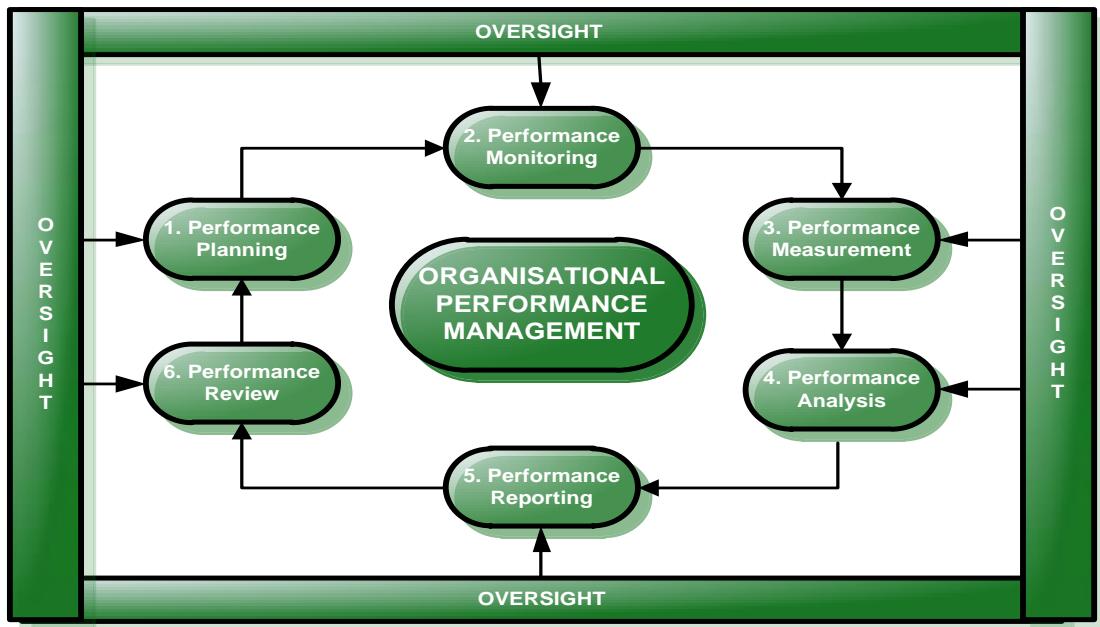
The legislative framework as set out above provides for performance management at various levels in a municipality including organisational (sometimes also referred to as municipal, corporate or strategic) level, operational (also referred to as services, departmental or section/team level) and lastly, at individual level as. These levels are however integrated and interdependent on each other.

The following diagram illustrates performance at various levels in the organisation:



**Figure 5 Performance at various levels**

The process of managing performance at organisational level in the uMhlathuze Municipality involves the stages as set out in the following diagram:

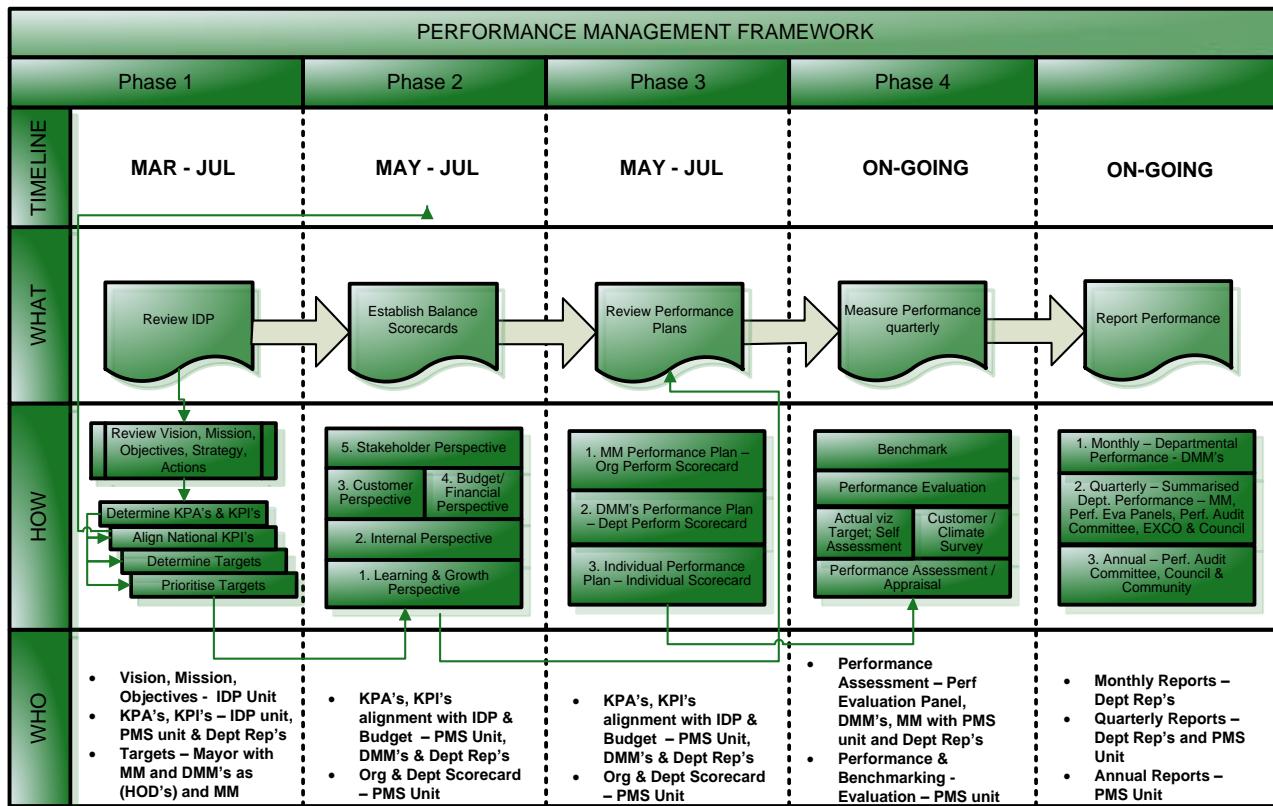


**Figure 6 Performance process**

Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework (aligned with the organizational structure and Council's priorities) for the five year IDP period to ensure consistency in measuring and reporting on long terms strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established and are reflected on the 2015/2016 OPMS Scorecard. A process to ensure regular reporting is in place and gets reported quarterly to the Council via the Performance Audit Committee.

Individual performance agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Municipal Manager and Deputy Municipal Managers (Heads of Department). These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act (No 56 of 2003)

The following diagram illustrates a summary of the reviewed performance management framework for the City of uMhlathuze for performance measurement and reporting, adhering to the guidelines suggested by KwaZulu-Natal Province, Department for Cooperative Governance and Traditional Affairs:



**Figure 7 uMhlathuze Performance Management Framework**

### Performance Audit Committee

The Performance Audit Committee established in 2003 in terms of Section 14(2) (a) of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and membership changed over time. The Performance Audit Committee for the 2016/2017 financial year was re-affirmed on 24 February 2016, by Council Resolution 10664 (Item on RPT 159661). The appointment of the following members will lapse at the end of January 2018 after the annual report for 2016/2017 financial year has been adopted by the Council:

- Ms M J Ndlovu – Chairperson (external member)
- Ms R de Waal (external member)
- Mr B S Ndaba (external member)
- Cllr M G Mhlongo (Mayor)
- Cllr S G Mkhize (Deputy Mayor)

The Performance Audit Committee is meeting on a quarterly basis for each financial to consider the reported quarterly performance achievements reported on the OPMS scorecard as well as the Performance Achievements reported in terms of the Service Delivery Budget Implementation Plan.

## Auditing of Performance Information

The MFMA and the Municipal Planning and Performance Management Regulations require that the Municipal Council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council shall also appoint a chairperson who is not an employee.

The Regulations give municipalities the option to establish a separate performance audit committee whereas the MFMA provides for a single audit committee as further being recommended by National Treasury in terms of their MFMA Circular no. 65 of November 2012. The municipal Council has however taken a decision to continue with a separate Performance Audit Committee and Audit Committee to allow for Councillors to serve on the Performance Audit Committee to enable Councillors to provide input towards Performance Management related matters.

The Audit Committee relies on the work done by the Performance Audit Committee in terms of the Audit Committee charter and receives and considers reports presented to it by the Performance Audit Committee at its scheduled meetings.

In carrying out its mandate, the Audit Committee and Performance Audit Committee must have a good understanding of the strategic goals of the Municipality, strategic focus areas as outlined in the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP) and should:

- Review and comment on compliance with statutory requirements and performance management best practices and standards.
- Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
- Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the Municipality.
- Review compliance with in-year reporting requirements.
- Review the quarterly performance reports submitted by internal audit.
- Review and comment on the Municipality's annual reports within the stipulated timeframes. Review and comment on the Municipality's performance management system and make recommendations for its improvement at least twice a year.
- At least twice during a financial year submit an audit report to the municipal council concerned.

In reviewing the municipality's performance management system the Performance Audit Committee focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

The Internal Audit Executive within the office of the Municipal Manager coordinates and manages the Internal Audit function within the municipality. A Panel of service providers (SekeleZabiso, PriceWaterHouseCoopers and Deloitte & Touché) have been appointed by uMhlathuze municipality for a three year period to deliver the Internal Audit function.

As part of their scope, auditing of the Performance Management System and Predetermined Objectives are performed and reported on for each quarter in terms of the following internal audit plan:

| Audit Project  | Focus Area   |
|--|--|
| Review of Performance Information - Quarter 1                                | <ul style="list-style-type: none"> <li>• Consistency in reporting;</li> <li>• Measurability and reliability;</li> <li>• Performance reports reviews;</li> <li>• Performance score verification (Municipal Manager and Deputy Municipal Managers);</li> <li>• Compliance with relevant laws and regulations.</li> </ul> |
| Review of Performance Information - Quarter 2                                | <ul style="list-style-type: none"> <li>• Consistency in reporting;</li> <li>• Measurability and reliability;</li> <li>• Performance reports reviews;</li> <li>• Compliance with relevant laws and regulations</li> </ul>   |
| Review of Performance Information - Quarter 3                                | <ul style="list-style-type: none"> <li>• Consistency in reporting;</li> <li>• Measurability and reliability;</li> <li>• Performance reports reviews;</li> <li>• Compliance with relevant laws and regulations</li> </ul>   |
| Review of Performance Information - Quarter 4<br>(Annual Performance Report) | <ul style="list-style-type: none"> <li>• Consistency in reporting;</li> <li>• Measurability and reliability;</li> <li>• Performance reports reviews;</li> <li>• Compliance with relevant laws and regulations</li> </ul>   |

**Figure 8 Performance Management internal audit plan**

The Auditor General finally audits all achievements reported in the Organisational Performance Management System Scorecard as reported in the Draft Annual Performance Report that is submitted together with the Draft Annual Financial Statements at the end of August of each year. Their findings are reported in their management letter and are included in the Annual Report. The information reported therefore is validated for correctness.

### **Customer Satisfaction**

Council has appointed Siloam People Development Agency to conduct the 2015 Customer Satisfaction Survey. The Comprehensive feedback and analysis report was received in June 2015. The results were reported to Council via the Performance Audit Committee per Council Resolution 10335, RPT 158509 on 28 August 2015. The comprehensive analysis feedback report is available on Council's official website. ([www.umhlathuze.gov.za](http://www.umhlathuze.gov.za) under the "Performance Management" link). Provision is made on the Budget for 2016/2017 financial year for conducting a Customer Satisfaction Survey and is currently in the process and completion results expected by 30 June 2017.

### **Annual Organisational Performance Information**

The annual Organisational Performance Targets are compiled in a table format (as prescribed by KZN CoGTA) and reported on a quarterly basis to track performance. The Organisational Performance report is presented to the Auditor General for auditing together with the Annual Financial Statements by 31 August of each year.

The Organisational Performance Scorecard (Tables) once finalized and approved is read in conjunction with the uMhlathuze Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information.

The number of households served with basic services as reflected in the table also includes the performance of external service providers delivering basic services to the community as contemplated in section 46(1)(a) of the Municipal Systems Act (No. 32 of 2000). Water distribution to the community by uMhlathuze is delivered through water purification by WSSA and through purified water purchased from the Mhlathuze Water Board. Electricity is distributed to communities by uMhlathuze Municipality in the municipal licensed area, through purchasing electricity from ESKOM. Also other Basic Services delivered by uMhlathuze Municipality include, solid waste removal (refuse collection) and sanitation. The uMhlathuze municipality is fortunate not to become reliant on external service providers, i.e. water, sanitation, solid waste removal services delivered by the district municipality like most other local municipalities do.

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 42 MBRR SA7 - Measurable performance objectives**

| Description                                   | Unit of measurement | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---------------------|---|---------------------------|---------------------------|
|   |                     | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Vote 1 - Water and Sanitation Services</b> |                     |   |                           |                           |
| Function 1 - Delivery of Basic Water Services |                     |   |                           |                           |
| Sub-function 1 - House Connection             |                     |   |                           |                           |
| Connection                                    | % of Household      | 51.0%   | 51.0%                     | 51.0%                     |
|   |                     |   |                           |                           |
| Sub-function 2 - Yard Connection              |                     |   |                           |                           |
| Connection                                    | % of Household      | 49.0%   | 49.0%                     | 49.0%                     |
|   |                     |   |                           |                           |
| Sub-function 3 - Communal Supply >200m        |                     |   |                           |                           |
| Water Connection                              | % of Household      | 0.0%  | 0.0%                      | 0.0%                      |
|   |                     |   |                           |                           |
| Function 2 - Basic Sanitation Services        |                     |   |                           |                           |
| Sub-function 1 - Waterborne Sewerage          |                     |   |                           |                           |
| Sewerage Services                             | % of Household      | 50.0%   | 50.0%                     | 50.0%                     |
|   |                     |   |                           |                           |
| Sub-function 2 - VIP's                        |                     |   |                           |                           |
| Sewerage                                      | % of Household      | 45.0%   | 48.0%                     | 50.0%                     |
|   |                     |   |                           |                           |
| <b>Vote 2 - Electricity Supply</b>            |                     |   |                           |                           |
| Function 1 - Electricity Connection           |                     |   |                           |                           |
| Sub-function 1 - Household Connection         |                     |   |                           |                           |
| Municipality Household Connection             | % of Household      | 99.0%   | 99.0%                     | 99.0%                     |
|   |                     |   |                           |                           |
| Sub-function 2 - Free Household               |                     |   |                           |                           |
| Free Connections                              | % of Household      | 0.6%  | 0.6%                      | 0.6%                      |
|   |                     |   |                           |                           |
| Sub-function 3 - Eskom Supply                 |                     |   |                           |                           |
| Household Connections                         | % of Household      | 94.0%   | 95.0%                     | 95.0%                     |
|   |                     |   |                           |                           |
| <b>Vote 3 - Solid Waste Removal</b>           |                     |   |                           |                           |
| Function 1 - Weekly Refuse Removal Services   |                     |   |                           |                           |
| Sub-function 1 - Urban 240 litre Bin          |                     |   |                           |                           |
| Litre Refuse Bin Services                     | % of Household      | 54.0%   | 54.0%                     | 54.0%                     |
|   |                     |   |                           |                           |
| Sub-function 2 - Free Basic Refuse Removal    |                     |   |                           |                           |
| Insert measure/s description                  | % of Household      | 26.0%   | 29.0%                     | 29.0%                     |
|   |                     |   |                           |                           |

The following table sets out the municipalities main performance objectives and benchmarks for the 2017/18 MTREF.

**Table 43 MBRR SA8 - Performance indicators and benchmarks**

| Description of financial indicator   | Basis of calculation   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|--|---|---------------------------|---------------------------|
|  |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Borrowing Management</b>  |  |   |                           |                           |
| Credit Rating  |  | Ba1/A1.za   | Ba1/A1.za                 | Ba1/A1.za                 |
| Capital Charges to Operating Expenditure                                       | Interest & Principal Paid /Operating Expenditure                           | 8.1%  | 7.7%                      | 4.6%                      |
| Capital Charges to Own Revenue   | Finance charges & Repayment of borrowing /Own Revenue                      | 9.0%  | 8.6%                      | 5.1%                      |
| Borrowed funding of 'own' capital expenditure                                  | Borrowing/Capital expenditure excl. transfers and grants and contributions | 26.7%   | 24.9%                     | 0.0%                      |
| <b>Safety of Capital</b>   |  |   |                           |                           |
| Gearing  | Long Term Borrowing/ Funds & Reserves                                      | 9.5%  | 9.7%                      | 8.1%                      |
| <b>Liquidity</b>   |  |   |                           |                           |
| Current Ratio  | Current assets/current liabilities   | 1.7   | 1.8                       | 1.7                       |
| Current Ratio adjusted for aged debtors  | Current assets less debtors > 90 days/current liabilities                  | 1.7   | 1.8                       | 1.7                       |
| Liquidity Ratio  | Monetary Assets/Current Liabilities  | 0.9   | 0.8                       | 0.7                       |
| <b>Revenue Management</b>  |  |   |                           |                           |
| Annual Debtors Collection Rate (Payment Level %)                               | Last 12 Mths Receipts/Last 12 Mths Billing                                 | 93.7%   | 93.7%                     | 93.7%                     |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) |  | 93.7%   | 93.7%                     | 93.7%                     |
| Outstanding Debtors to Revenue   | Total Outstanding Debtors to Annual Revenue                                | 15.3%   | 15.1%                     | 14.8%                     |
| Longstanding Debtors Recovered   | Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old                  |   |                           |                           |
| <b>Creditors Management</b>  |  |   |                           |                           |
| Creditors System Efficiency  | % of Creditors Paid Within Terms (within MFMA's 65(e))                     | 100.0%  | 100.0%                    | 100.0%                    |
| Creditors to Cash and Investments  |  | 60.8%   | 76.0%                     | 88.4%                     |

### MBRR SA8 - Performance indicators and benchmarks (continued)

| Description of financial indicator                          | Basis of calculation   | 2017/18 Medium Term Revenue & Expenditure Framework |                             |                             |
|---|--|---|-----------------------------|-----------------------------|
|   |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19   | Budget Year<br>+2 2019/20   |
| <b><u>Other Indicators</u></b>                              |  |   |                             |                             |
| Electricity Distribution Losses (2)                         | Total Volume Losses (kW)<br>Total Cost of Losses (Rand '000)<br>% Volume (units purchased and generated less units sold)/units purchased and generated | 51083654<br>48 019<br>5.3%                          | 51083654<br>48 019<br>5.3%  | 51083654<br>48 019<br>5.3%  |
| Water Distribution Losses (2)                               | Total Volume Losses (kℓ)<br>Total Cost of Losses (Rand '000)<br>% Volume (units purchased and generated less units sold)/units purchased and generated | 9 247<br>37078605<br>26.24%                         | 9 247<br>37078605<br>26.24% | 9 247<br>37078605<br>26.24% |
| Employee costs  | Employee costs/(Total Revenue - capital revenue)   | 25.2%   | 25.8%                       | 26.1%                       |
| Remuneration  | Total remuneration/(Total Revenue - capital revenue)   | 26.2%   | 26.8%                       | 27.1%                       |
| Repairs & Maintenance                                       | R&M/(Total Revenue excluding capital revenue)  | 18.5%   | 18.9%                       | 18.7%                       |
| Finance charges & Depreciation                              | FC&D/(Total Revenue - capital revenue)   | 15.6%   | 15.6%                       | 15.2%                       |
| <b><u>IDP regulation financial viability indicators</u></b> |  |   |                             |                             |
| i. Debt coverage  | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)  | 12.8  | 21.4                        | 22.9                        |
| ii. O/S Service Debtors to Revenue                          | Total outstanding service debtors/annual revenue received for services   | 17.8%   | 17.8%                       | 17.4%                       |
| iii. Cost coverage  | (Available cash + Investments)/monthly fixed operational expenditure   | 3.0   | 2.4                         | 2.0                         |

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, City of uMhlathuze's borrowing strategy is primarily informed by the Finance charges to Operating Expenditure. The structure of the City's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- **Finance Charges and redemption to Operating Expenditure and to own Revenue** is a measure of the cost of borrowing in relation to the operating expenditure and own revenue. It can be seen that the cost of borrowing is 9 per cent in 2017/18 and drop significantly to 5.1 per cent in 2019/20. In addition the mix of capital funding for the MTREF is remaining constant whereby borrowed funds over capital expenditure excluding grant expenditure, remains at a favourable average level of 26.7 per cent. While borrowing is considered a prudent financial instrument in financing capital infrastructure development such funding will be confined to assets with a useful life exceeding 10 years as well as limiting such financing to assets that generate revenue.

#### 2.3.1.2 Safety of Capital

The **gearing ratio** is a measure of the total long term borrowings over funds and reserves. During the 2012/13 financial year this ratio peak at 17.7 per cent however has stabilised to between 9.5 and 8.1 per cent over the MTREF.

#### 2.3.1.3 Liquidity

- **Current ratio** is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2017/18 MTREF the current ratio is 1.7:1 and 1.8:1 and 1.7:1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- The **liquidity ratio** is a measure of the ability of the municipality to utilize cash and cash equivalents to meet its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2012/13 financial year the ratio was 0.5 and as part of the financial planning strategy it has been increased to 0.9 in the 2017/18 financial year. This amounts to a vast improvement over the period. As the debtors' collection rate is at 93.7 per cent it is envisaged that cash will be available to meet its monthly current liabilities.

#### 2.3.1.4 *Revenue Management*

- As part of the financial sustainability strategy, an aggressive revenue management framework has been continued from previous years to maintain cash inflow. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection with specific focus in the “traditional areas”.

#### 2.3.1.5 *Creditors Management*

- The City has managed to ensure that creditors are settled within the legislated 30 days of invoice. Currently (2016/17 year) there are however challenges in paying all creditors within 30 days, but this is due to the implementation bugs encountered with the mSCOA financial system. It is envisaged that these are teething issues and will be resolved by 30 June 2017. By maintaining stringent cash flow recovery interventions introduced in 2009/10, the Municipality has managed to this legislative obligation.

#### 2.3.1.6 *Other Indicators*

- Employee costs as a percentage of operating revenue increases slightly over the MTREF. Although the ratio is 25.2 per cent for the 2017/18 MTREF, this may appear favourable however needs to be read in conjunction with the comments under section 1.7 – Operating Expenditure Framework as well as the comments under the Executive Summary.
- Repairs and maintenance as percentage of operating revenue remains constant over the MTREF owing directly to continued effort to ensure that resources in the repairs and maintenance cost centres are maximised.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. These are done in a universal and targeted approach. The universal approach is through the tariff structures and provides for 6kl free water and 50 kWh electricity free for users below a threshold. In addition, no rates and no refuse removal and no sewer are debited against consumers that have a property valued below the prescribed threshold.

The targeted approach is applied as well where individual customers are found destitute completely that despite the universal approach still cannot afford their accounts. These customers' accounts are administered on a dedicated personal basis and then written off according to the Credit Control and Debt Collection Policy.

Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 35 MBRR A10 (Basic Service Delivery Measurement) on page 80.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 2.4 Overview of budget related-policies

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### 2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control & Debt Collection Policy was last reviewed and approved by Council in July 2012. A new Credit Control Policy has been developed available in **DMS 1158108** which will serve before Council before the start of the budget year.

A major change to the policy is the policy principle where, the municipality will enter into service agreement with owners of the property and have personal surety-ships with business owners. This will assist the municipality with recoverability of outstanding debtors.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 96 per cent on current billings.

### 2.4.2 Asset Management, Infrastructure Investment and Funding Policy

The consumption of assets is measured with their level of depreciation. To ensure future sustainability of the Municipality's infrastructure, service delivery and revenue base; investment in existing infrastructure is paramount. The strategy in the framework is to give more priority and emphasis on renewal of existing infrastructure. Over the next three years, there is a decrease in investment on new assets in order to give effect to priority of renewing existing assets. In addition to the renewal of existing assets, the need for the repairs and maintenance of existing assets is considered in the framework hence a move by the Municipality to invest more in repairs and maintenance.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

**No amendments are proposed for this policy in the 2017/18 financial year.**

### 2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the City continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

**No amendments are proposed for this policy in the 2017/18 financial year.**

#### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council on the 4 October 2005. The fifth amendment of the Supply Chain Management Policy was done in terms of Supply Chain Management Regulations clause 3(1) (b) and was adopted by Council on 13 July 2016 in terms of CR 11022 and incorporates most of the requirements of the Preferential Procurement Regulations.

#### **2.4.5 Virement Policy**

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the City's system of delegations. The Virement Policy was approved by Council via resolution 6737 on 6 July 2010 and was subsequently amended on 4 October 2011 and again on 28 May 2013.

The policy has been amended to include reference to mSCOA and is therefore included as **Annexure D3 (DMS 1175314)** for Council's approval.

#### **2.4.6 Investment, Working Capital and Capital Replacement Reserves Policy**

The City's Investment, Working Capital and Capital Replacement Reserves Policy was amended by Council on 10 October 2013. The aim of the policy is to ensure that the City's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

**No amendments are proposed for this policy in the 2017/18 financial year.**

#### **2.4.7 Tariff of Charges Policy**

The City's tariff policy provides a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. **The policy is amended and approved annually with the MTREF.**

All the above policies are available on the City's website, as well as the following budget related policies:

- Property Rates Policy;
- Trade Effluent Management Policy and
- Fraud Prevention policy.

## 2.5 Overview of budget assumptions

### 2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the City's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets as per MFMA circular 85 and 86;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 25.2 per cent of total operating expenditure in the 2017/18 MTREF.

### 2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2017/18 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

### 2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (96 per cent) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 2.5.5 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the City, household formation growth rate and the poor household change rate.

### **2.5.6 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2015 and shall remain in force until 30 June 2017. In terms of the agreement, the year three increase as been calculated as an across the board increase of 7.36 per cent. For budget purposes a 7.5 per cent increase has been utilised.

### **2.5.7 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. See relevant section in the Integrated Development Plan.

### **2.5.8 Ability of the municipality to spend and deliver on the programmes**

The slow spend on the 2016/17 Adjusted Capital Budget was of serious concern to Administration, however procurement plan was been prepared to expedite the implementation of the procurement process for the 2017/18 MTREF. Despite a monthly monitoring of the procurement plan being undertaken through the Capital Spend Project Team, spending in the 2016/17 financial year still remains a challenge. Executive Management Committee (EMCO) is investigating mechanisms to try to resolve numerous internal and external factors hindering performance here.

## 2.6 Overview of budget funding

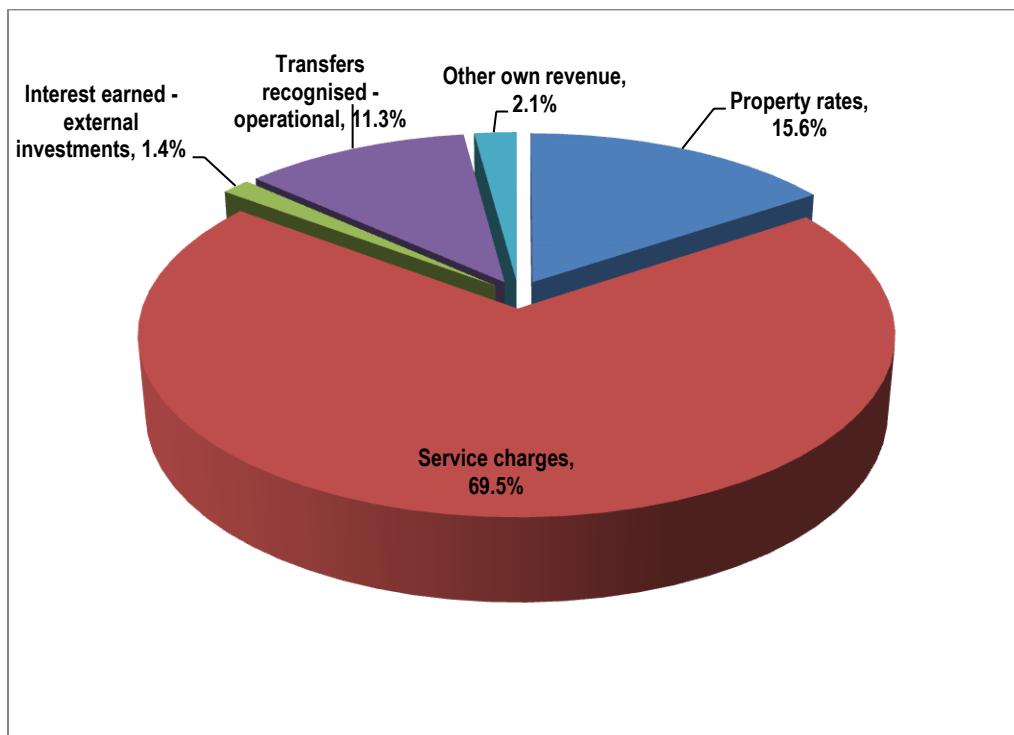
### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 44 Breakdown of the operating revenue over the medium-term**

| Description<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |             |                           |             |                           |             |
|--|---|-------------|---------------------------|-------------|---------------------------|-------------|
|  | Budget Year<br>2017/18                              | %           | Budget Year<br>+1 2018/19 | %           | Budget Year<br>+2 2019/20 | %           |
| <b>Revenue By Source</b>   |   |             |                           |             |                           |             |
| Property rates   | 452 872   | 16%         | 474 533                   | 16%         | 507 317                   | 16%         |
| Service charges  | 2 012 880   | 70%         | 2 109 149                 | 69%         | 2 254 862                 | 69%         |
| Interest earned - external investments   | 41 942  | 1%          | 42 040                    | 1%          | 47 181                    | 1%          |
| Transfers recognised - operational   | 326 359   | 11%         | 353 998                   | 12%         | 384 645                   | 12%         |
| Other own revenue  | 61 387  | 2%          | 63 276                    | 2%          | 67 356                    | 2%          |
| <b>Total Operating Revenue (excluding capital transfers and contributions)</b> | <b>2 895 441</b>                                    | <b>100%</b> | <b>3 042 996</b>          | <b>100%</b> | <b>3 261 361</b>          | <b>100%</b> |
| <b>Total OperatingExpenditure</b>  | <b>2 882 744</b>                                    |             | <b>3 026 497</b>          |             | <b>3 242 848</b>          |             |
| <b>Surplus/(Deficit)</b>   | <b>12 697</b>                                       |             | <b>16 499</b>             |             | <b>18 513</b>             |             |

The following graph is a breakdown of the operational revenue per main category for the 2017/18 financial year.



**Figure 9 Breakdown of operating revenue over the 2017/18 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The City derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure an above 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by calculating the revenue requirement of each service this had to be adjusted to cater for affordable tariffs;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs where economically possible;
- Revenue enhancement, investment and cash management;
- Pricing risk strategy to ensure that rates and general grows to a level that can sustain the municipality;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City which has been extensively reviewed to ensure that customer are clear on how the municipality will raise revenue
- 

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2017/18 MTREF on the different revenue categories are:

**Table 45 Proposed tariff increases over the medium-term**

| Revenue category | 2016/17 current revenue increase | 2017/18 proposed revenue increase | 2017/18 additional revenue for each 1% increase | 2017/18 additional revenue per service | 2017/18 Total Budgeted revenue |
|------------------|----------------------------------|-----------------------------------|---|--|--------------------------------|
|                  | %                                | %                                 | R'000   | R'000                                  | R'000                          |
| Property rates   | 6.41                             | 10,00                             | 4 529   | 53 672                                 | 452 872                        |
| Sanitation       | 6.04                             | 7,00                              | 916   | 4 818                                  | 91 638                         |
| Solid Waste      | 6.00                             | 7,00                              | 762   | 5 191                                  | 76 211                         |
| Water            | 6.00                             | 9,00                              | 3 091   | 48 544                                 | 309 064                        |
| Electricity      | 7.08                             | 1.88                              | 15 251  | 100 252                                | 1 525 092                      |
| <b>TOTAL</b>     |                                  |                                   | <b>24 549</b>                                   | <b>212 477</b>                         | <b>2 454 877</b>               |

Revenue to be generated from property rates is R452.8 million in the 2017/18 financial year which represents 18 per cent of the operating revenue base of the City. The rate base has increase by 1 per cent when compared to the previous year.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling 2 billion for the 2017/18 financial year.

As reflected in table 44 above, the city has projected about R212.5 million as additional revenue, with electricity service charges being the biggest contributor at 50% of the additional revenue expected.

Operational grants and subsidies amount to R326 million, R354 million and R385 million for each of the respective financial years of the MTREF, or 11.3, 11.6 and 11.8 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 10 per cent and drops to 8 and 9 per cent for the two outer years.

Investment revenue contributes negligibly to the revenue base of the City with a budget allocation of R42 million, R42 million and R47 million for the respective three financial years of the 2017/18 MTREF. It needs to be noted that whilst a healthy working capital is important for a Municipality, the practise in this Municipality comes from a historical trend of utilising cash reserves to fund service delivery initiatives instead of generating interest returns.

The tables below provide detail investment information and investment particulars by maturity.

**Table 46 MBRR SA15 – Detail Investment Information**

| Investment type<br><br>R thousand | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|-----------------------------------|---|---------------------------|---------------------------|
|                                   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Parent municipality</b>        |   |                           |                           |
| Deposits - Bank                   | 400 000   | 350 000                   | 350 000                   |
| <b>Municipality sub-total</b>     | <b>400 000</b>                                      | <b>350 000</b>            | <b>350 000</b>            |
| <b>Consolidated total:</b>        | <b>400 000</b>                                      | <b>350 000</b>            | <b>350 000</b>            |

**Table 47 MBRR SA16 – Investment particulars by maturity**

| Investments by Maturity               | Period of Investment | Type of Investment | Capital Guarantee (Yes/ No) | Variable or Fixed interest rate | Interest Rate <sup>3</sup> | Commission Paid (Rands) | Commission Recipient | Expiry date of investment | Opening balance | Interest to be realised | Partial / Premature Withdrawal (4) | Investment Top Up | Closing Balance |
|---------------------------------------|----------------------|--------------------|-----------------------------|---------------------------------|----------------------------|-------------------------|----------------------|---------------------------|-----------------|-------------------------|------------------------------------|-------------------|-----------------|
| Name of institution & investment ID   | Yrs/Months           |                    |                             |                                 |                            |                         |                      |                           |                 |                         |                                    |                   |                 |
| Parent municipality<br>NOT APPLICABLE |                      |                    |                             |                                 |                            |                         |                      |                           |                 |                         |                                    |                   | -               |
| <b>TOTAL INVESTMENTS AND INTEREST</b> |                      |                    |                             |                                 |                            |                         |                      |                           | -               | -                       | -                                  | -                 | -               |

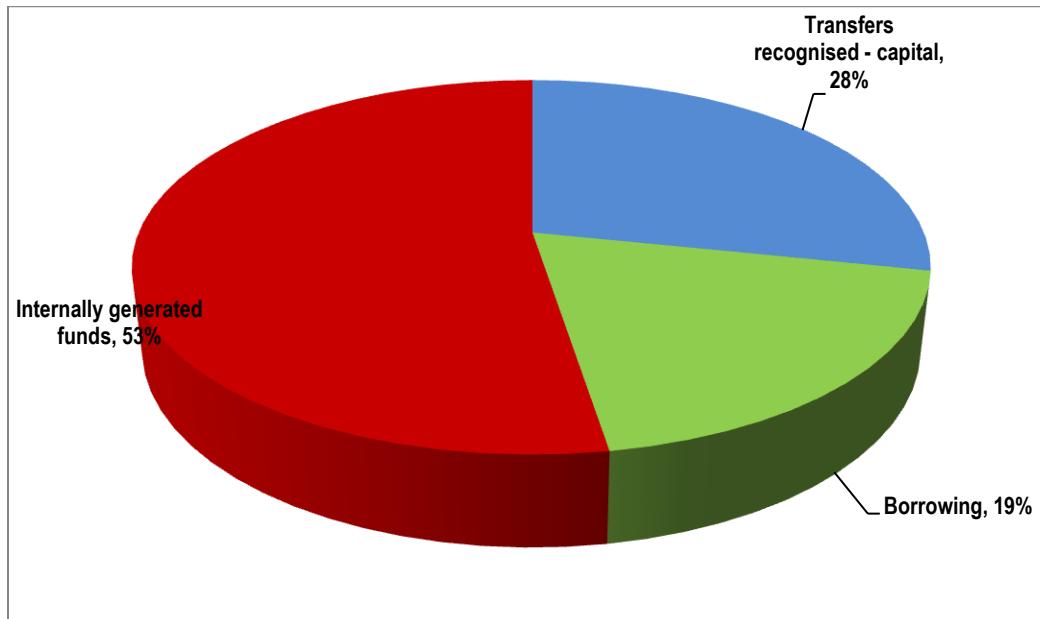
## 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2017/18 medium-term capital programme:

**Table 48 Sources of capital revenue over the MTREF**

| R thousand                       | Vote Description | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|----------------------------------|------------------|---|---------------------------|---------------------------|
|                                  |                  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Funded by:</b>                |                  |   |                           |                           |
| National Government              |                  | 147 305   | 165 414                   | 195 862                   |
| Provincial Government            |                  | -   | -                         | -                         |
| Transfers recognised - capital   |                  | 147 305   | 165 414                   | 195 862                   |
| Public contributions & donations |                  | -   | -                         | -                         |
| Borrowing                        |                  | 100 000   | 100 000                   | -                         |
| Internally generated funds       |                  | 273 950   | 301 360                   | 352 292                   |
| <b>Total Capital Funding</b>     |                  | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            |

The above table is graphically represented as follows for the 2017/18 financial year.



**Figure 10 Sources of capital revenue for the 2017/18 financial year**

Capital grants and receipts equates to 28 per cent of the total funding source which represents R147 million for the 2017/18 financial year and increase to R 165 million or 29 per cent by 2018/19.

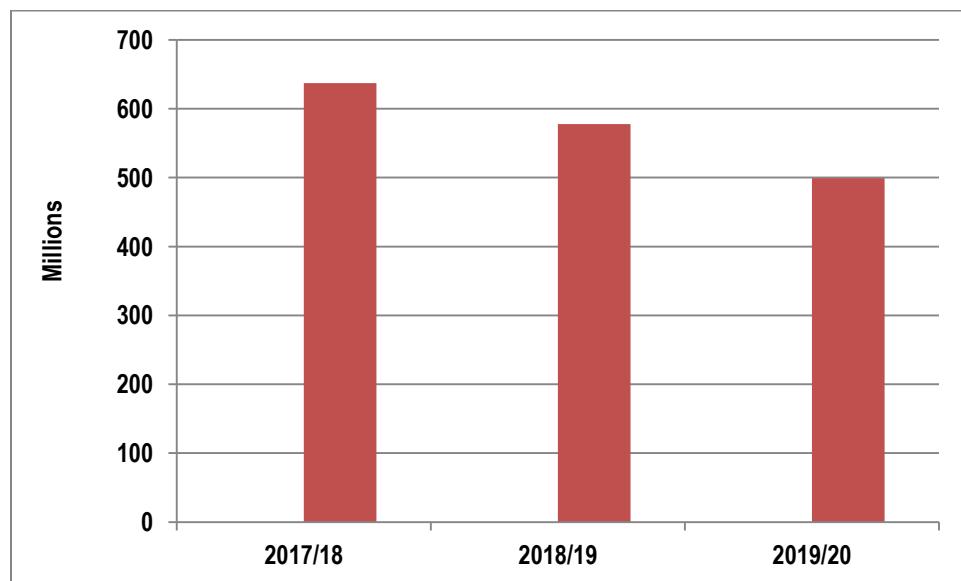
Dependency on borrowing is slowly being reduced, with its use been confined to ad-hoc infrastructure projects.

The following table is a detailed analysis of the City's borrowing liability.

**Table 49 MBRR SA17 - Detail of borrowings**

| Borrowing - Categorised by type<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Parent municipality</b>                     |   |                           |                           |
| Annuity and Bullet Loans                       | 637 036   | 577 671                   | 499 140                   |
| <b>Municipality sub-total</b>                  | <b>637 036</b>                                      | <b>577 671</b>            | <b>499 140</b>            |
| <b>Total Borrowing</b>                         | <b>637 036</b>                                      | <b>577 671</b>            | <b>499 140</b>            |
|  |   |                           |                           |
| <b>Unspent Borrowing - Categorised by type</b> |   |                           |                           |
| <b>Parent municipality</b>                     |   |                           |                           |
| Long-Term Loans (annuity/reducing balance)     | 40 000  | 20 000                    | 20 000                    |
| <b>Municipality sub-total</b>                  | <b>40 000</b>                                       | <b>20 000</b>             | <b>20 000</b>             |
| <b>Total Unspent Borrowing</b>                 | <b>40 000</b>                                       | <b>20 000</b>             | <b>20 000</b>             |

The following graph illustrates the growth in outstanding borrowing for the 2012/13 to 2018/19 period.



**Figure 11 Growth in outstanding borrowing (long-term liabilities)**

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R274 million in 2017/18, R301 million in 2018/19 and R352 million in 2019/20.

**Table 50 MBRR SA18 - Capital transfers and grant receipts**

| Description<br>R thousand                 | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>RECEIPTS:</b>                          |   |                           |                           |
| <b>Capital Transfers and Grants</b>       |   |                           |                           |
| <b>National Government:</b>               | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
| Municipal Infrastructure Grant (MIG)      | 103 305   | 109 414                   | 115 862                   |
| Electrification Projects                  | 10 000  | 10 000                    | 40 000                    |
| Infrastructure Water Projects             | 34 000  | 46 000                    | 40 000                    |
| <b>Total Capital Transfers and Grants</b> | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves the understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 51 MBRR Table A7 - Budget cash flow statement**

| Description<br>R thousand                         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Property rates                                    | 434 758   | 455 551                   | 487 024                   |
| Service charges                                   | 1 876 238   | 1 965 295                 | 2 101 865                 |
| Other revenue                                     | 61 334  | 63 221                    | 67 298                    |
| Government - operating                            | 326 359   | 353 998                   | 384 645                   |
| Government - capital                              | 147 305   | 165 414                   | 195 862                   |
| Interest  | 41 995  | 42 096                    | 47 240                    |
| <b>Payments</b>                                   |   |                           |                           |
| Suppliers and employees                           | (2 308 953)   | (2 422 346)               | (2 608 415)               |
| Finance charges                                   | (73 401)  | (72 194)                  | (69 073)                  |
| Transfers and Grants                              | (11 729)  | (12 324)                  | (12 808)                  |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  | <b>493 905</b>                                      | <b>538 711</b>            | <b>593 638</b>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Proceeds on disposal of PPE                       | –   | –                         | –                         |
| Decrease (Increase) in non-current debtors        | –   | –                         | –                         |
| Decrease (increase) other non-current receivables | –   | –                         | –                         |
| Decrease (increase) in non-current investments    | –   | –                         | –                         |
| <b>Payments</b>                                   |   |                           |                           |
| Capital assets                                    | (499 283)   | (557 670)                 | (551 878)                 |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  | <b>(499 283)</b>                                    | <b>(557 670)</b>          | <b>(551 878)</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |   |                           |                           |
| <b>Receipts</b>                                   |   |                           |                           |
| Short term loans                                  | –   | –                         | –                         |
| Borrowing long term/refinancing                   | 100 000   | 100 000                   | –                         |
| Increase (decrease) in consumer deposits          | –   | –                         | –                         |
| <b>Payments</b>                                   |   |                           |                           |
| Repayment of borrowing                            | (158 864)   | (159 365)                 | (78 531)                  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  | <b>(58 864)</b>                                     | <b>(59 365)</b>           | <b>(78 531)</b>           |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      | <b>(64 242)</b>                                     | <b>(78 324)</b>           | <b>(36 771)</b>           |
| Cash/cash equivalents at the year begin:          | 592 178   | 527 936                   | 449 612                   |
| Cash/cash equivalents at the year end:            | 527 936   | 449 612                   | 412 841                   |

The above table shows that cash and cash equivalents of the City. It can be seen that the cash levels of the City improved significantly from previous financial years to 2017/18 period and the years thereafter owing directly to a myriad of cash flow interventions introduced over the past years. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term. Cash and cash equivalents totals R 528 million as at the end of the 2017/18 financial year and declines slightly to R 413 million by 2019/20.

For the 2017/18 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R 450 million by 2018/19 and decreasing to R 413 million by 2019/20. Until such time that there is real organic growth in the local economy, these cash levels will not increase especially given the capital stance of reducing tendency for external borrowing and rather using internal reserves.

#### **2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 52 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

| Description<br>R thousand                         | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Cash and investments available</u></b>      |   |                           |                           |
| Cash/cash equivalents at the year end             | 527 936   | 449 612                   | 412 841                   |
| Other current investments > 90 days               | –   | –                         | –                         |
| Non current assets - Investments                  | –   | –                         | –                         |
| <b>Cash and investments available:</b>            | <b>527 936</b>                                      | <b>449 612</b>            | <b>412 841</b>            |
| <b>Application of cash and investments</b>        |   |                           |                           |
| Unspent conditional transfers                     | 57 838  | 57 838                    | 57 838                    |
| Unspent borrowing                                 | 40 000  | 20 000                    | 20 000                    |
| Statutory requirements                            | –   | –                         | –                         |
| Other working capital requirements                | (93 399)  | (90 135)                  | (88 098)                  |
| Other provisions                                  | 24 185  | 25 970                    | 27 886                    |
| Long term investments committed                   | –   | –                         | –                         |
| Reserves to be backed by cash/investments         | 301 360   | 352 292                   | 374 768                   |
| <b>Total Application of cash and investments:</b> | <b>329 983</b>                                      | <b>365 965</b>            | <b>392 395</b>            |
| <b>Surplus(shortfall)</b>                         | <b>197 952</b>                                      | <b>83 648</b>             | <b>20 446</b>             |

From the above table it can be seen that the cash and investments available total R 198 million in the 2017/18 financial year and decreases to R 83 million by 2018/19, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

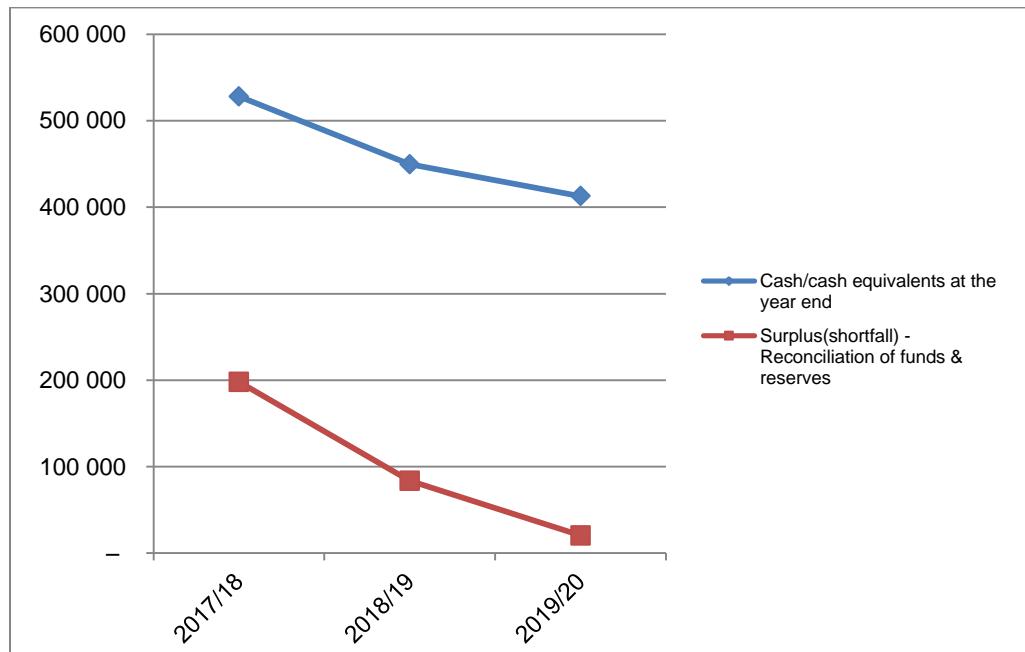
- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business. Based on the current expenditure patterns and the awarded tenders in which construction has not commenced the municipality will have to approach National Treasury for a roll-over of funds in terms of the DORA requirements.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any

underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.

- Against other provisions an amount R24 million has been provided for the 2017/18 financial year and this increase to R28 million by 2019/20.

It can be concluded that the City has a surplus against the cash backed and accumulated surpluses reconciliation. The level of non-cash-backing has improved from previous financial years to 2017/18 escalating to R 198 million in 2017/18. The 2017/18 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. **Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible.** The challenge for the City will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.



**Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds**

### 2.6.5 Funding compliance measurement

National Treasury requires that the municipality to assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 53 MBRR SA10 – Funding compliance measurement**

| Description   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Funding measures</b>                                       |   |                           |                           |
| Cash/cash equivalents at the year end - R'000                 | 527 936   | 449 612                   | 412 841                   |
| Cash + investments at the yr end less applications - R'000    | 197 952   | 83 648                    | 20 446                    |
| Cash year end/monthly employee/supplier payments              | 3.0   | 2.4                       | 2.0                       |
| Surplus/(Deficit) excluding depreciation offsets: R'000       | 160 002   | 181 914                   | 214 375                   |
| Service charge rev % change - macro CPIX target exclusive     | 0.6%  | (1.2%)                    | 0.9%                      |
| Cash receipts % of Ratepayer & Other revenue                  | 93.9%   | 93.8%                     | 93.9%                     |
| Debt impairment expense as a % of total billable revenue      | 1.1%  | 1.1%                      | 1.1%                      |
| Capital payments % of capital expenditure                     | 95.8%   | 98.4%                     | 100.7%                    |
| Borrowing receipts % of capital expenditure (excl. transfers) | 26.7%   | 24.9%                     | 0.0%                      |
| Grants % of Govt. legislated/gazetted allocations             | 100.0%  | 100.0%                    | 106.6%                    |
| Current consumer debtors % change - incr(decr)                | 0.0%  | 4.2%                      | 4.9%                      |
| Long term receivables % change - incr(decr)                   | 0.0%  | 8.0%                      | 7.8%                      |
| R&M % of Property Plant & Equipment                           | 10.2%   | 10.7%                     | 11.2%                     |
| Asset renewal % of capital budget                             | 23.3%   | 26.8%                     | 27.6%                     |
| <b>High Level Outcome of Funding Compliance</b>               |   |                           |                           |
| Total Operating Revenue                                       | 2 895 441   | 3 042 996                 | 3 261 361                 |
| Total Operating Expenditure                                   | 2 882 744   | 3 026 496                 | 3 242 848                 |
| Surplus/(Deficit) Budgeted Operating Statement                | 12 697  | 16 500                    | 18 513                    |
| Surplus/(Deficit) Considering Reserves and Cash Backing       | 197 952   | 83 648                    | 20 446                    |
| <b>MTREF Funded (1) / Unfunded (0)</b>                        | 1   | 1                         | 1                         |
| <b>MTREF Funded ✓ / Unfunded ✗</b>                            | ✓   | ✓                         | ✓                         |

#### 2.6.5.1 Cash/cash equivalent position

The City's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2017/18 MTREF shows R 527 million, R450 million and R413 million for each respective financial year.

#### 2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 33, on page 73.

The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the City to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has improved significantly for the period 2017/18 MTREF the municipality's improving cash position causes the ratio to at 3 and then declines slightly to 2.4 and 2.0 for the outer years respectively. As indicated above the City the Investment, Working Capital and Capital Replacement Reserves Policy requires a ratio of two months coverage. **The target has been achieved.**

#### *2.6.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year.

For the 2017/18 MTREF the indicative outcome is a surplus of R160 million, R182 million and R214 million. This however is **not a true reflection** of the Operating performance as this figure includes capital revenues (Transfers recognised – capital).

#### *2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage declines from 0.6, (1.2%) and 0.9 per cent for the respective financial year of the 2017/18 MTREF. This is not a reflection of economic growth in the area but rather a reflection of cost drives which have increased more than inflation targets such as bulk water and electricity and employee related costs.

#### *2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 95.8 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 96 per cent performance target, it either implies that the Municipality must either increase its' credit control endeavours in the Rural Areas or alternatively lower its collection rate target of 96 per cent to be more realistic. This measure and performance objective will have to be meticulously managed. Should performance with

the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.5.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 1.1 per cent over the MTREF which is a reflection of the high standard of credit and debt control for the City. Given the comments mentioned above regarding the debtors situation within the rural environment these provisions may need to be reviewed in the next budget cycle.

#### *2.6.5.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. This indicator clearly illustrates the lack of capital spending in the 2016/17 Adjusted budget but does assume that with improved procurement and project management plans, spending will accelerate in the 2017/18 financial year.

#### *2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 26.7, 24.9 and 0 per cent of own funded capital. This is both consistent and a good funding mix.

#### *2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

#### *2.6.5.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Only one indicator is reflected above which illustrates a stable trend in that debtors are only increase by the equivalent increase in revenue not by deterioration in collection rate. The changes in Long term receivables are immaterial and thus no comments are necessary.

#### *2.6.5.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the City's strategy pertaining to asset management and repairs and maintenance are contained in Table 70 MBRR SA34c on page 149.

#### *2.6.5.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget is to categorise each capital

project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 68 MBRR SA34b on page 147.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 54 MBRR SA19 - Expenditure on transfers and grant programmes**

| R thousand  | Description | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|-------------|---|---------------------------|---------------------------|
|   |             | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>EXPENDITURE:</b>   |             |   |                           |                           |
| <b><u>Operating expenditure of Transfers and Grants</u></b> |             |   |                           |                           |
| <b>National Government:</b>                                 |             | <b>314 163</b>                                      | <b>341 327</b>            | <b>371 510</b>            |
| Local Government Equitable Share                            |             | 292 009   | 326 318                   | 355 898                   |
| Finance Management  |             | 2 650   | 2 650                     | 2 650                     |
| EPWP Incentive  |             | 4 143   | –                         | –                         |
| Project Management Unit                                     |             | 5 437   | 5 759                     | 6 098                     |
| Infrastructure Skills Development Grant                     |             | 6 500   | 6 600                     | 6 864                     |
| Municipal Demarcation Transitional Grant                    |             | 3 424   | –                         | –                         |
| <b>Provincial Government:</b>                               |             | <b>12 196</b>                                       | <b>12 671</b>             | <b>13 135</b>             |
| Museums   |             | –   | –                         | –                         |
| Provincialisation of Libraries                              |             | 7 881   | 8 275                     | 8 689                     |
| Libraries   |             | 1 504   | 1 576                     | 1 616                     |
| Housing   |             | 2 628   | 2 628                     | 2 628                     |
| <b>Total operating expenditure of Transfers and Grants:</b> |             | <b>326 359</b>                                      | <b>353 998</b>            | <b>384 645</b>            |
| <b><u>Capital expenditure of Transfers and Grants</u></b>   |             |   |                           |                           |
| <b>National Government:</b>                                 |             | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
| Municipal Infrastructure Grant (MIG)                        |             | 103 305   | 109 414                   | 115 862                   |
| Electrification Projects                                    |             | 10 000  | 10 000                    | 40 000                    |
| Infrastructure Water Projects                               |             | 34 000  | 46 000                    | 40 000                    |
| <b>Total capital expenditure of Transfers and Grants</b>    |             | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>            |             | <b>473 664</b>                                      | <b>519 412</b>            | <b>580 507</b>            |

**Table 55 MBRR SA20 - Reconciliation between of transfers, grant receipts and unspent funds**

| R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Operating transfers and grants:</u></b>           |   |                           |                           |
| <b>National Government:</b>                             |   |                           |                           |
| Balance unspent at beginning of the year                | 2 065   | 2 065                     | 2 065                     |
| Current year receipts                                   | 314 163   | 341 327                   | 371 510                   |
| <b>Conditions met - transferred to revenue</b>          | <b>314 163</b>                                      | <b>341 327</b>            | <b>371 510</b>            |
| Conditions still to be met - transferred to liabilities | 2 065   | 2 065                     | 2 065                     |
| <b>Provincial Government:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | (7 015)   | (7 015)                   | (7 015)                   |
| Current year receipts                                   | 12 196  | 12 671                    | 13 135                    |
| <b>Conditions met - transferred to revenue</b>          | <b>12 196</b>                                       | <b>12 671</b>             | <b>13 135</b>             |
| Conditions still to be met - transferred to liabilities | (7 015)   | (7 015)                   | (7 015)                   |
| <b>District Municipality:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | 232   | 232                       | 232                       |
| Current year receipts                                   | —   | —                         | —                         |
| <b>Conditions met - transferred to revenue</b>          | <b>—</b>  | <b>—</b>                  | <b>—</b>                  |
| Conditions still to be met - transferred to liabilities | 232   | 232                       | 232                       |
| <b>Other grant providers:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | 3 162   | 3 162                     | 3 162                     |
| Current year receipts                                   | —   | —                         | —                         |
| <b>Conditions met - transferred to revenue</b>          | <b>—</b>  | <b>—</b>                  | <b>—</b>                  |
| Conditions still to be met - transferred to liabilities | 3 162   | 3 162                     | 3 162                     |
| <b>Total operating transfers and grants revenue</b>     | <b>326 359</b>                                      | <b>353 998</b>            | <b>384 645</b>            |
| <b>Total operating transfers and grants - CTBM</b>      | <b>(1 556)</b>                                      | <b>(1 556)</b>            | <b>(1 556)</b>            |
| <b><u>Capital transfers and grants:</u></b>             |   |                           |                           |
| <b>National Government:</b>                             |   |                           |                           |
| Balance unspent at beginning of the year                | 49 993  | 49 993                    | 49 993                    |
| Current year receipts                                   | 147 305   | 165 414                   | 195 862                   |
| <b>Conditions met - transferred to revenue</b>          | <b>147 305</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
| Conditions still to be met - transferred to liabilities | 49 993  | 49 993                    | 49 993                    |
| <b>Provincial Government:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | 14 779  | 14 479                    | 14 479                    |
| Current year receipts                                   | —   | —                         | —                         |
| <b>Conditions met - transferred to revenue</b>          | <b>300</b>  | <b>—</b>                  | <b>—</b>                  |
| Conditions still to be met - transferred to liabilities | 14 479  | 14 479                    | 14 479                    |
| <b>District Municipality:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | (19)  | (19)                      | (19)                      |
| Current year receipts                                   | —   | —                         | —                         |
| <b>Conditions met - transferred to revenue</b>          | <b>—</b>  | <b>—</b>                  | <b>—</b>                  |
| Conditions still to be met - transferred to liabilities | (19)  | (19)                      | (19)                      |
| <b>Other grant providers:</b>                           |   |                           |                           |
| Balance unspent at beginning of the year                | (6 615)   | (6 615)                   | (6 615)                   |
| Current year receipts                                   | —   | —                         | —                         |
| <b>Conditions met - transferred to revenue</b>          | <b>—</b>  | <b>—</b>                  | <b>—</b>                  |
| Conditions still to be met - transferred to liabilities | (6 615)   | (6 615)                   | (6 615)                   |
| <b>Total capital transfers and grants revenue</b>       | <b>147 605</b>                                      | <b>165 414</b>            | <b>195 862</b>            |
| <b>Total capital transfers and grants - CTBM</b>        | <b>57 838</b>                                       | <b>57 838</b>             | <b>57 838</b>             |
| <b>TOTAL TRANSFERS AND GRANTS REVENUE</b>               | <b>473 964</b>                                      | <b>519 412</b>            | <b>580 507</b>            |
| <b>TOTAL TRANSFERS AND GRANTS - CTBM</b>                | <b>56 282</b>                                       | <b>56 282</b>             | <b>56 282</b>             |

**Table 56 MBRR SA21 - Transfers and grants made by the municipality**

| R thousand                                    | Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|--|---|---------------------------|---------------------------|
|   |  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Cash Transfers to Organisations</u></b> |  |   |                           |                           |
|   | Empangeni SPCA   | 199   | 211                       | 224                       |
|   | Richards Bay SPCA                                      | 199   | 211                       | 224                       |
|   | School and Uthungulu Forum                             | 394   | 418                       | 443                       |
|   | Museums  | 3 303   | 3 501                     | 3 711                     |
|   | Women Summit   | 167   | 177                       | 188                       |
|   | Policy Formulation - People Living With Disability     | 111   | 118                       | 125                       |
|   | Senior Citizens  | 67  | 71                        | 75                        |
|   | World Aids Day   | 120   | 127                       | 135                       |
|   | Children   | 72  | 76                        | 81                        |
|   | Mens Summit  | 108   | 115                       | 121                       |
|   | 16 Days Activism                                       | 57  | 60                        | 64                        |
|   | Freedom Day  | 111   | 118                       | 125                       |
|   | Religious Sector                                       | 37  | 39                        | 41                        |
|   | Operation Sukuma Sakhe Programmes                      | 220   | 234                       | 248                       |
|   | Disability Sector                                      | 122   | 130                       | 135                       |
|   | Diwali Festival  | 33  | 35                        | 38                        |
|   | Community Outreach - Mayor                             | 278   | 295                       | 263                       |
|   | Thanda Royal Zulu                                      | 1 749   | 1 854                     | 1 965                     |
|   | University Registrations                               | 617   | 577                       | 537                       |
|   | Bursaries Employee Children                            | 884   | 916                       | 928                       |
|   | Zululand Trade Fair                                    | 159   | 169                       | 179                       |
|   | Downstream Aluminium Centre For Technology (DACT)      | 159   | 169                       | 179                       |
|   | Profiling Of People With Disabilities                  | 1 342   | 1 424                     | 1 433                     |
| <b><u>Groups of Individuals</u></b>           |  |   |                           |                           |
|   | Disaster Management                                    | 686   | 713                       | 749                       |
|   | <b>Total Non-Cash Grants To Groups Of Individuals:</b> | <b>686</b>  | <b>713</b>                | <b>749</b>                |
|   | <b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>             | <b>686</b>  | <b>713</b>                | <b>749</b>                |
|   | <b>TOTAL TRANSFERS AND GRANTS</b>                      | <b>11 729</b>                                       | <b>12 323</b>             | <b>12 808</b>             |

## 2.8 Councillor and employee benefits

**Table 57 MBRR SA22 - Summary of councillor and staff benefits**

| Summary of Employee and Councillor remuneration<br>R thousand | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Councillors (Political Office Bearers plus Other)</b>      |   |                           |                           |
| Basic Salaries and Wages                                      | 19 517  | 20 884                    | 22 242                    |
| Pension and UIF Contributions                                 | 2 928   | 3 133                     | 3 337                     |
| Medical Aid Contributions                                     | 1 734   | 1 856                     | 1 977                     |
| Motor Vehicle Allowance                                       | 2 763   | 2 956                     | 3 149                     |
| Cellphone Allowance   | 1 921   | 2 056                     | 2 190                     |
| Housing Allowances  | 284   | 304                       | 323                       |
| Other benefits and allowances                                 | –   | –                         | –                         |
| <b>Sub Total - Councillors</b>                                | <b>29 147</b>                                       | <b>31 188</b>             | <b>33 218</b>             |
| % increase  | 8.2%  | 7.0%                      | 6.5%                      |
| <b>Senior Managers of the Municipality</b>                    |   |                           |                           |
| Basic Salaries and Wages                                      | 9 419   | 10 078                    | 10 734                    |
| Pension and UIF Contributions                                 | 688   | 737                       | 784                       |
| Medical Aid Contributions                                     | 157   | 169                       | 179                       |
| Performance Bonus   | 1 703   | 1 823                     | 1 942                     |
| Motor Vehicle Allowance                                       | 1 226   | 1 312                     | 1 397                     |
| Cellphone Allowance   | 210   | 224                       | 239                       |
| Other benefits and allowances                                 | 707   | 757                       | 806                       |
| Payments in lieu of leave                                     | 467   | 500                       | 533                       |
| <b>Sub Total - Senior Managers of Municipality</b>            | <b>14 577</b>                                       | <b>15 599</b>             | <b>16 613</b>             |
| % increase  | 5.5%  | 7.0%                      | 6.5%                      |
| <b>Other Municipal Staff</b>                                  |   |                           |                           |
| Basic Salaries and Wages                                      | 414 817   | 449 338                   | 493 111                   |
| Pension and UIF Contributions                                 | 83 883  | 89 762                    | 95 605                    |
| Medical Aid Contributions                                     | 38 852  | 41 576                    | 44 282                    |
| Overtime  | 46 424  | 49 676                    | 52 658                    |
| Performance Bonus   | 41 940  | 44 859                    | 47 779                    |
| Motor Vehicle Allowance                                       | 3 543   | 3 793                     | 4 043                     |
| Cellphone Allowance   | 4 383   | 4 697                     | 5 006                     |
| Housing Allowances  | 48 926  | 52 355                    | 55 741                    |
| Other benefits and allowances                                 | 25 124  | 26 886                    | 28 637                    |
| Payments in lieu of leave                                     | 95  | 100                       | 106                       |
| Long service awards   | 5 694   | 6 092                     | 6 488                     |
| <b>Sub Total - Other Municipal Staff</b>                      | <b>713 680</b>                                      | <b>769 133</b>            | <b>833 456</b>            |
| % increase  | 7.6%  | 7.8%                      | 8.4%                      |
| <b>Total Parent Municipality</b>                              | <b>757 404</b>                                      | <b>815 920</b>            | <b>883 287</b>            |
|   | 7.6%  | 7.7%                      | 8.3%                      |
| <b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>                | <b>757 404</b>                                      | <b>815 920</b>            | <b>883 287</b>            |
| % increase  | 7.6%  | 7.7%                      | 8.3%                      |
| <b>TOTAL MANAGERS AND STAFF</b>                               | <b>728 257</b>                                      | <b>784 732</b>            | <b>850 069</b>            |

**Table 58 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

| Disclosure of Salaries, Allowances & Benefits 1.                     | No.       | Salary            | Contributions    | Allowances       | Performance Bonuses | In-kind benefits | Total Package     |
|--|-----------|-------------------|------------------|------------------|---------------------|------------------|-------------------|
| Rand per annum   |           |                   | 1.               |                  |                     |                  | 2.                |
| <b>Councillors</b>   |           |                   |                  |                  |                     |                  |                   |
| Speaker  | 1         | 644 000           | 149 000          | 34 900           |                     |                  | 827 900           |
| Chief Whip   | 1         | 646 400           | 97 000           | 28 400           |                     |                  | 771 800           |
| Executive Mayor  | 1         | 788 800           | 202 400          | 318 600          |                     |                  | 1 309 800         |
| Deputy Executive Mayor   | 1         | 643 000           | 150 000          | 34 900           |                     |                  | 827 900           |
| Executive Committee  | 8         | 4 122 900         | 894 400          | 1 156 300        |                     |                  | 6 173 600         |
| Total for all other councillors                                      | 55        | 12 672 000        | 3 169 000        | 3 394 500        |                     |                  | 19 235 500        |
| <b>Total Councillors</b>   | <b>67</b> | <b>19 517 100</b> | <b>4 661 800</b> | <b>4 967 600</b> |                     |                  | <b>29 146 500</b> |
| <b>Senior Managers of the Municipality</b>                           |           |                   |                  |                  |                     |                  |                   |
| Municipal Manager (MM)   | 1         | 1 311 600         | 236 200          | 440 700          | 273 700             |                  | 2 262 200         |
| Chief Finance Officer  | 1         | 1 384 700         | –                | 351 800          | 238 200             |                  | 1 974 700         |
| Deputy Municipal Manager   | 5         | 6 722 800         | 596 900          | 1 362 800        | 1 191 000           |                  | 9 873 500         |
| <b>Total Senior Managers of the Municipality</b>                     | <b>7</b>  | <b>9 419 100</b>  | <b>833 100</b>   | <b>2 155 300</b> | <b>1 702 900</b>    |                  | <b>14 110 400</b> |
| <b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b> | <b>74</b> | <b>28 936 200</b> | <b>5 494 900</b> | <b>7 122 900</b> | <b>1 702 900</b>    |                  | <b>43 256 900</b> |

**Table 59 MBRR SA24 – Summary of personnel numbers**

| Number  | Summary of Personnel Numbers |                     |                    | Budget Year 2017/18 |  |  |
|---|------------------------------|---------------------|--------------------|---------------------|--|--|
|   | Positions                    | Permanent employees | Contract employees |                     |  |  |
| <b>Municipal Council and Boards of Municipal Entities</b>     |                              |                     |                    |                     |  |  |
| Councillors (Political Office Bearers plus Other Councillors) | 67                           | 67                  | –                  |                     |  |  |
| Board Members of municipal entities                           | –                            | –                   | –                  |                     |  |  |
| <b>Municipal employees</b>                                    |                              |                     |                    |                     |  |  |
| Municipal Manager and Senior Managers                         | 7                            | 7                   | –                  |                     |  |  |
| Other Managers  | 17                           | 13                  | –                  |                     |  |  |
| Professionals   | 393                          | 297                 | –                  |                     |  |  |
| <i>Finance</i>  | 46                           | 32                  | –                  |                     |  |  |
| <i>Spatial/town planning</i>                                  | 33                           | 29                  | –                  |                     |  |  |
| <i>Information Technology</i>                                 | 11                           | 11                  | –                  |                     |  |  |
| <i>Roads</i>  | 22                           | 19                  | –                  |                     |  |  |
| <i>Electricity</i>  | 40                           | 32                  | –                  |                     |  |  |
| <i>Water</i>  | 16                           | 12                  | –                  |                     |  |  |
| <i>Sanitation</i>   | 24                           | 17                  | –                  |                     |  |  |
| <i>Refuse</i>   | 10                           | 10                  | –                  |                     |  |  |
| <i>Other</i>  | 191                          | 135                 | –                  |                     |  |  |
| Technicians   | 533                          | 455                 | –                  |                     |  |  |
| <i>Finance</i>  | 31                           | 22                  | –                  |                     |  |  |
| <i>Spatial/town planning</i>                                  | 26                           | 23                  | –                  |                     |  |  |
| <i>Information Technology</i>                                 | 6                            | 5                   | –                  |                     |  |  |
| <i>Roads</i>  | 48                           | 42                  | –                  |                     |  |  |
| <i>Electricity</i>  | 60                           | 49                  | –                  |                     |  |  |
| <i>Water</i>  | 34                           | 37                  | –                  |                     |  |  |
| <i>Sanitation</i>   | 34                           | 25                  | –                  |                     |  |  |
| <i>Refuse</i>   | 13                           | 13                  | –                  |                     |  |  |
| <i>Other</i>  | 281                          | 239                 | –                  |                     |  |  |
| Clerks (Clerical and administrative)                          | 315                          | 281                 | –                  |                     |  |  |
| Skilled agricultural and fishery workers                      | 2                            | 2                   | –                  |                     |  |  |
| Craft and related trades                                      | 3                            | 3                   | –                  |                     |  |  |
| Plant and Machine Operators                                   | 87                           | 82                  | –                  |                     |  |  |
| Elementary Occupations  | 1 592                        | 1 420               | –                  |                     |  |  |
| <b>TOTAL PERSONNEL NUMBERS</b>                                | <b>3 016</b>                 | <b>2 627</b>        | <b>–</b>           |                     |  |  |
| <b>% increase</b>   | <b>–</b>                     | <b>–</b>            | <b>–</b>           |                     |  |  |
| <b>Total municipal employees headcount</b>                    | <b>2 769</b>                 | <b>2 594</b>        | <b>–</b>           |                     |  |  |
| Finance personnel headcount                                   | 235                          | 185                 | –                  |                     |  |  |
| Human Resources personnel headcount                           | 41                           | 32                  | –                  |                     |  |  |

## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 60 MBRR SA25 - Budgeted monthly revenue and expenditure**

| Description<br>R thousand  | Budget Year 2017/18 |                |                |                |                |                |                |                |                |                |                |                | Medium Term Revenue and Expenditure Framework |                           |                           |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---|---------------------------|---------------------------|
|  | July                | August         | Sept.          | October        | November       | December       | January        | February       | March          | April          | May            | June           | Budget Year<br>2017/18                        | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Revenue By Source</b>   |                     |                |                |                |                |                |                |                |                |                |                |                |   |                           |                           |
| Property rates   | 37 739              | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 37 739         | 452 872                                       | 474 533                   | 507 317                   |
| Service charges - electricity revenue  | 127 860             | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 860        | 127 859        | 1 534 316                                     | 1 607 695                 | 1 718 763                 |
| Service charges - water revenue  | 25 833              | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 833         | 25 823         | 309 982                                       | 324 809                   | 347 247                   |
| Service charges - sanitation revenue   | 7 666               | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 666          | 7 677          | 92 006  | 96 409                    | 103 072                   |
| Service charges - refuse revenue   | 6 381               | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 6 381          | 76 575  | 80 236                    | 85 780                    |
| Service charges - other  | -                   | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -   | -                         | -                         |
| Rental of facilities and equipment   | 667                 | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 8 008   | 7 350                     | 7 852                     |
| Interest earned - external investments   | 3 495               | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 41 942  | 42 040                    | 47 181                    |
| Interest earned - outstanding debtors  | 4                   | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 53  | 55                        | 58                        |
| Fines, penalties and forfeits  | 630                 | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 7 563   | 7 929                     | 8 424                     |
| Licences and permits   | 301                 | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 3 609   | 3 789                     | 3 978                     |
| Agency services  | 616                 | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 7 390   | 7 755                     | 8 142                     |
| Transfers and subsidies  | 27 197              | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 326 359                                       | 353 998                   | 384 645                   |
| Other revenue  | 2 897               | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 34 764  | 36 398                    | 38 902                    |
| <b>Total Revenue (excluding capital transfers and contributions)</b>                             | <b>241 287</b>      | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>241 287</b> | <b>2 895 441</b>                              | <b>3 042 996</b>          | <b>3 261 361</b>          |
| <b>Expenditure By Type</b>   |                     |                |                |                |                |                |                |                |                |                |                |                |   |                           |                           |
| Employee related costs   | 60 689              | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 60 689         | 728 269                                       | 784 743                   | 850 081                   |
| Remuneration of councillors  | 2 429               | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 29 147  | 31 188                    | 33 218                    |
| Debt impairment  | 2 199               | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 2 199          | 26 388  | 27 707                    | 29 092                    |
| Depreciation & asset impairment  | 31 404              | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 31 404         | 376 848                                       | 401 636                   | 427 900                   |
| Finance charges  | 6 117               | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 6 117          | 73 401  | 72 194                    | 69 073                    |
| Bulk purchases   | 89 574              | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 89 574         | 1 074 886                                     | 1 101 637                 | 1 192 238                 |
| Other materials  | 13 367              | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 160 405                                       | 172 710                   | 181 522                   |
| Contracted services  | 12 658              | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 151 897                                       | 158 112                   | 167 141                   |
| Transfers and subsidies  | 977                 | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 11 729  | 12 323                    | 12 808                    |
| Other expenditure  | 20 815              | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 20 815         | 249 775                                       | 264 245                   | 279 776                   |
| <b>Total Expenditure</b>   | <b>240 229</b>      | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>2 882 744</b>                              | <b>3 026 496</b>          | <b>3 242 848</b>          |
| <b>Surplus/(Deficit)</b>   |                     |                |                |                |                |                |                |                |                |                |                |                |   |                           |                           |
| Transfers and subsidies - capital (monetary allocations)<br>(National / Provincial and District) | 1 058               | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 1 058          | 12 697  | 16 500                    | 18 513                    |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>                             | <b>13 333</b>       | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>160 002</b>                                | <b>181 914</b>            | <b>214 375</b>            |
| <b>Surplus/(Deficit)</b>   | <b>13 333</b>       | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>160 002</b>                                | <b>181 914</b>            | <b>214 375</b>            |

**Table 61 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

| R thousand                                    | Description  | Budget Year 2017/18 |                |                |                |                |                |                |                |                |                |                |                | Medium Term Revenue and Expenditure Framework |                        |                        |
|---|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---|------------------------|------------------------|
|   |  | July                | August         | Sept.          | October        | November       | December       | January        | February       | March          | April          | May            | June           | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>Revenue by Vote</b>                        |  |                     |                |                |                |                |                |                |                |                |                |                |                |   |                        |                        |
|   | Vote 1 - CITY DEVELOPMENT  | 519                 | 519            | 519            | 519            | 519            | 519            | 519            | 519            | 519            | 519            | 519            | 519            | 6 231   | 6 406                  | 6 641                  |
|   | Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 12 474              | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 12 474         | 149 693                                       | 160 933                | 173 177                |
|   | Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 2 718               | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 2 718          | 32 612  | 34 360                 | 36 328                 |
|   | Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 421                 | 421            | 421            | 421            | 421            | 421            | 421            | 421            | 421            | 421            | 421            | 421            | 5 050   | 4 257                  | 4 551                  |
|   | Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | 1                   | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 6   | 7                      | 7                      |
|   | Vote 6 - FINANCIAL SERVICES  | 42 276              | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 42 276         | 507 314                                       | 529 533                | 568 248                |
|   | Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 128 978             | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 128 978        | 1 547 750                                     | 1 621 705              | 1 763 194              |
|   | Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 62 643              | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 62 643         | 751 711                                       | 814 682                | 866 479                |
|   | Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 1 579               | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 1 579          | 18 953  | 20 060                 | 21 250                 |
|   | Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 1 370               | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 1 370          | 16 425  | 12 720                 | 13 348                 |
|   | Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 583                 | 583            | 583            | 583            | 583            | 583            | 583            | 583            | 583            | 583            | 583            | 583            | 7 000   | 3 749                  | 4 000                  |
|   | <b>Total Revenue by Vote</b>   | <b>253 562</b>      | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>3 042 745</b>                              | <b>3 208 410</b>       | <b>3 457 223</b>       |
| <b>Expenditure by Vote to be appropriated</b> |  |                     |                |                |                |                |                |                |                |                |                |                |                |   |                        |                        |
|   | Vote 1 - CITY DEVELOPMENT  | 6 613               | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 6 613          | 79 356  | 83 441                 | 89 138                 |
|   | Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 23 126              | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 23 126         | 277 507                                       | 299 399                | 321 853                |
|   | Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 17 018              | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 17 018         | 204 221                                       | 221 251                | 238 702                |
|   | Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 956                 | 956            | 956            | 956            | 956            | 956            | 956            | 956            | 956            | 956            | 956            | 956            | 11 477  | 12 949                 | 14 467                 |
|   | Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | 338                 | 338            | 338            | 338            | 338            | 338            | 338            | 338            | 338            | 338            | 338            | 338            | 4 059   | 4 350                  | 4 646                  |
|   | Vote 6 - FINANCIAL SERVICES  | 1 456               | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 1 456          | 17 468  | 18 352                 | 19 371                 |
|   | Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 107 250             | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 107 250        | 1 286 997                                     | 1 338 834              | 1 445 889              |
|   | Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 56 430              | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 56 430         | 677 161                                       | 715 141                | 756 305                |
|   | Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 20 461              | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 20 461         | 245 528                                       | 255 979                | 269 998                |
|   | Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 3 660               | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 3 660          | 43 923  | 42 926                 | 46 303                 |
|   | Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 2 920               | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 2 920          | 35 046  | 33 874                 | 36 177                 |
|   | <b>Total Expenditure by Vote</b>   | <b>240 229</b>      | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>240 229</b> | <b>2 882 744</b>                              | <b>3 026 497</b>       | <b>3 242 848</b>       |
|   | <b>Surplus/(Deficit)</b>   | <b>13 333</b>       | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>13 333</b>  | <b>160 002</b>                                | <b>181 913</b>         | <b>214 375</b>         |

**Table 62 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

| Description                                | Budget Year 2017/18 |                |                |                |                |                |                |                |                |                |                |                | Medium Term Revenue and Expenditure Framework |                     |                        |                        |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---|---------------------|------------------------|------------------------|
|  | R thousand          | July           | August         | Sept.          | October        | November       | December       | January        | February       | March          | April          | May            | June  | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>Revenue - Functional</b>                |                     |                |                |                |                |                |                |                |                |                |                |                |   |                     |                        |                        |
| <i>Governance and administration</i>       | 43 062              | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062         | 43 062  | 516 745             | 535 828                | 574 972                |
| Executive and council                      | 300                 | 300            | 300            | 300            | 300            | 300            | 300            | 300            | 300            | 300            | 300            | 300            | 300   | 3 605               | 190                    | 203                    |
| Finance and administration                 | 42 762              | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762         | 42 762  | 513 140             | 535 639                | 574 769                |
| <i>Community and public safety</i>         | 3 315               | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315          | 3 315   | 39 785              | 40 702                 | 42 898                 |
| Community and social services              | 1 115               | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115          | 1 115   | 13 374              | 12 993                 | 13 652                 |
| Sport and recreation                       | 1 786               | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786          | 1 786   | 21 435              | 22 636                 | 24 031                 |
| Public safety                              | 70                  | 70             | 70             | 70             | 70             | 70             | 70             | 70             | 70             | 70             | 70             | 70             | 70  | 844                 | 875                    | 924                    |
| Housing                                    | 344                 | 344            | 344            | 344            | 344            | 344            | 344            | 344            | 344            | 344            | 344            | 344            | 344   | 4 131               | 4 199                  | 4 290                  |
| <i>Economic and environmental services</i> | 4 253               | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253          | 4 253   | 51 039              | 49 220                 | 51 894                 |
| Planning and development                   | 1 521               | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521          | 1 521   | 18 249              | 14 637                 | 15 389                 |
| Road transport                             | 2 732               | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732          | 2 732   | 32 782              | 34 573                 | 36 495                 |
| Environmental protection                   | 1                   | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1   | 9                   | 9                      | 10                     |
| <i>Trading services</i>                    | 202 872             | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872        | 202 872                                       | 2 434 467           | 2 581 917              | 2 786 665              |
| Energy sources                             | 128 979             | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979        | 128 979                                       | 1 547 750           | 1 621 705              | 1 763 194              |
| Water management                           | 41 442              | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442         | 41 442  | 497 298             | 538 963                | 569 073                |
| Waste water management                     | 21 201              | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201         | 21 201  | 254 413             | 275 719                | 297 406                |
| Waste management                           | 11 250              | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250         | 11 250  | 135 006             | 145 530                | 156 991                |
| <i>Other</i>                               | 59                  | 59             | 59             | 59             | 59             | 59             | 59             | 59             | 59             | 59             | 59             | 59             | 59  | 711                 | 744                    | 796                    |
| <b>Total Revenue - Functional</b>          | <b>253 562</b>      | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b> | <b>253 562</b>                                | <b>3 042 745</b>    | <b>3 208 410</b>       | <b>3 457 223</b>       |

**Table MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification) (continued)**

| Description<br>R thousand                  | Budget Year 2017/18 |         |         |         |          |          |         |          |         |         |         |         | Medium Term Revenue and Expenditure Framework |                        |                        |
|--|---------------------|---------|---------|---------|----------|----------|---------|----------|---------|---------|---------|---------|---|------------------------|------------------------|
|  | July                | August  | Sept.   | October | November | December | January | February | March   | April   | May     | June    | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>Expenditure - Functional</b>            |                     |         |         |         |          |          |         |          |         |         |         |         |   |                        |                        |
| <b>Governance and administration</b>       | 6 684               | 6 684   | 6 684   | 6 684   | 6 684    | 6 684    | 6 684   | 6 684    | 6 684   | 6 684   | 6 684   | 6 684   | 80 213  | 82 588                 | 88 458                 |
| Executive and council                      | 1 695               | 1 695   | 1 695   | 1 695   | 1 695    | 1 695    | 1 695   | 1 695    | 1 695   | 1 695   | 1 695   | 1 695   | 20 343  | 18 071                 | 19 250                 |
| Finance and administration                 | 4 988               | 4 988   | 4 988   | 4 988   | 4 988    | 4 988    | 4 988   | 4 988    | 4 988   | 4 988   | 4 988   | 4 988   | 59 857  | 64 503                 | 69 192                 |
| Internal audit                             | 1                   | 1       | 1       | 1       | 1        | 1        | 1       | 1        | 1       | 1       | 1       | 1       | 13  | 14                     | 16                     |
| <b>Community and public safety</b>         | 25 009              | 25 009  | 25 009  | 25 009  | 25 009   | 25 009   | 25 009  | 25 009   | 25 009  | 25 009  | 25 009  | 25 009  | 300 109                                       | 326 184                | 353 097                |
| Community and social services              | 6 255               | 6 255   | 6 255   | 6 255   | 6 255    | 6 255    | 6 255   | 6 255    | 6 255   | 6 255   | 6 255   | 6 255   | 75 063  | 82 098                 | 89 327                 |
| Sport and recreation                       | 11 849              | 11 849  | 11 849  | 11 849  | 11 849   | 11 849   | 11 849  | 11 849   | 11 849  | 11 849  | 11 849  | 11 849  | 142 190                                       | 154 334                | 166 806                |
| Public safety                              | 5 295               | 5 295   | 5 295   | 5 295   | 5 295    | 5 295    | 5 295   | 5 295    | 5 295   | 5 295   | 5 295   | 5 295   | 63 537  | 69 174                 | 74 937                 |
| Housing                                    | 1 610               | 1 610   | 1 610   | 1 610   | 1 610    | 1 610    | 1 610   | 1 610    | 1 610   | 1 610   | 1 610   | 1 610   | 19 319  | 20 578                 | 22 028                 |
| <b>Economic and environmental services</b> | 31 478              | 31 478  | 31 478  | 31 478  | 31 478   | 31 478   | 31 478  | 31 478   | 31 478  | 31 478  | 31 478  | 31 478  | 377 736                                       | 395 006                | 418 405                |
| Planning and development                   | 6 920               | 6 920   | 6 920   | 6 920   | 6 920    | 6 920    | 6 920   | 6 920    | 6 920   | 6 920   | 6 920   | 6 920   | 83 041  | 82 540                 | 88 016                 |
| Road transport                             | 23 768              | 23 768  | 23 768  | 23 768  | 23 768   | 23 768   | 23 768  | 23 768   | 23 768  | 23 768  | 23 768  | 23 768  | 285 214                                       | 302 081                | 319 072                |
| Environmental protection                   | 790                 | 790     | 790     | 790     | 790      | 790      | 790     | 790      | 790     | 790     | 790     | 790     | 9 481   | 10 385                 | 11 317                 |
| <b>Trading services</b>                    | 176 503             | 176 503 | 176 503 | 176 503 | 176 503  | 176 503  | 176 503 | 176 503  | 176 503 | 176 503 | 176 503 | 176 503 | 2 118 031                                     | 2 215 676              | 2 375 479              |
| Energy sources                             | 107 250             | 107 250 | 107 250 | 107 250 | 107 250  | 107 250  | 107 250 | 107 250  | 107 250 | 107 250 | 107 250 | 107 250 | 1 286 997                                     | 1 338 834              | 1 445 889              |
| Water management                           | 37 965              | 37 965  | 37 965  | 37 965  | 37 965   | 37 965   | 37 965  | 37 965   | 37 965  | 37 965  | 37 965  | 37 965  | 455 578                                       | 479 415                | 505 147                |
| Waste water management                     | 20 696              | 20 696  | 20 696  | 20 696  | 20 696   | 20 696   | 20 696  | 20 696   | 20 696  | 20 696  | 20 696  | 20 696  | 248 348                                       | 261 099                | 278 665                |
| Waste management                           | 10 592              | 10 592  | 10 592  | 10 592  | 10 592   | 10 592   | 10 592  | 10 592   | 10 592  | 10 592  | 10 592  | 10 592  | 127 108                                       | 136 329                | 145 778                |
| <b>Other</b>                               | 555                 | 555     | 555     | 555     | 555      | 555      | 555     | 555      | 555     | 555     | 555     | 555     | 6 655   | 7 042                  | 7 409                  |
| <b>Total Expenditure - Functional</b>      | 240 229             | 240 229 | 240 229 | 240 229 | 240 229  | 240 229  | 240 229 | 240 229  | 240 229 | 240 229 | 240 229 | 240 229 | 2 882 744                                     | 3 026 497              | 3 242 848              |
| <b>Surplus/(Deficit)</b>                   | 13 333              | 13 333  | 13 333  | 13 333  | 13 333   | 13 333   | 13 333  | 13 333   | 13 333  | 13 333  | 13 333  | 13 334  | 160 002                                       | 181 913                | 214 375                |

**Table 63 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

| R thousand   | Description | Budget Year 2017/18 |        |        |         |        |        |         |        |        |        |          |         | Medium Term Revenue and Expenditure Framework |                        |                        |
|--|-------------|---------------------|--------|--------|---------|--------|--------|---------|--------|--------|--------|----------|---------|---|------------------------|------------------------|
|  |             | July                | August | Sept.  | October | Nov.   | Dec.   | January | Feb.   | March  | April  | May      | June    | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b><u>Multi-year expenditure to be appropriated</u></b>                          |             |                     |        |        |         |        |        |         |        |        |        |          |         |   |                        |                        |
| Vote 1 - CITY DEVELOPMENT  | 4 000       | 5 000               | 5 700  | 4 500  | 4 506   | 3 500  | 3 500  | 500     | 500    | -      | -      | (26 909) | 4 797   | 1 812   | 1 902                  |                        |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | -           | -                   | 800    | 800    | -       | -      | 8 610  | 750     | -      | 750    | -      | (8 500)  | 3 210   | 1 200   | 780                    |                        |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | -           | -                   | -      | -      | 500     | -      | 900    | -       | 800    | -      | 580    | -        | 2 780   | 9 701   | 9 886                  |                        |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | -           | 200                 | 319    | -      | 1 000   | 1 000  | 1 500  | 1 700   | 950    | 1 594  | -      | 55 200   | 63 463  | 89 915  | 19 101                 |                        |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | -           | -                   | -      | -      | -       | -      | -      | -       | -      | -      | -      | -        | -       | 200   | -                      |                        |
| Vote 6 - FINANCIAL SERVICES  | -           | -                   | -      | -      | -       | -      | 5 000  | 5 500   | 6 341  | 6 500  | 6 500  | (29 400) | 441     | 467   | 494                    |                        |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | -           | 5 500               | 7 400  | 8 192  | 9 900   | 8 850  | 7 500  | 9 050   | 9 600  | 7 000  | 2 550  | (6 600)  | 68 942  | 80 588  | 114 583                |                        |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | -           | 1 300               | 6 200  | 5 000  | 7 800   | 12 600 | 9 500  | 7 500   | 4 800  | 8 600  | 5 300  | 87 171   | 155 771 | 160 154                                       | 159 799                |                        |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 5 000       | 5 000               | 5 050  | 6 650  | 7 650   | 10 050 | 6 888  | 2 950   | 6 200  | 6 000  | 6 000  | 1 000    | 68 438  | 84 200  | 105 000                |                        |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 10 000      | 10 000              | 10 000 | 10 000 | 10 000  | 11 633 | 132    | -       | -      | -      | -      | (60 465) | 11 300  | 9 000   | 9 000                  |                        |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | -           | -                   | -      | -      | 250     | 250    | 250    | -       | -      | 100    | 100    | (1 200)  | -       | -   | -                      |                        |
| Capital multi-year expenditure sub-total   | 19 000      | 27 000              | 35 469 | 35 142 | 41 606  | 46 250 | 55 280 | 28 332  | 29 191 | 30 544 | 21 030 | 10 297   | 379 141 | 437 237                                       | 420 545                |                        |
| <b><u>Single-year expenditure to be appropriated</u></b>                         |             |                     |        |        |         |        |        |         |        |        |        |          |         |   |                        |                        |
| Vote 1 - CITY DEVELOPMENT  | -           | -                   | 500    | 1 000  | 500     | 1 000  | 500    | 1 500   | 1 000  | 1 300  | 1 000  | (8 300)  | -       | 890   | 940                    |                        |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | -           | 740                 | 1 500  | 125    | 1 000   | -      | -      | 2 276   | -      | -      | -      | (3 626)  | 2 015   | 1 200   | 1 210                  |                        |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | -           | 250                 | 780    | 1 200  | 1 080   | 500    | 1 050  | 2 650   | 2 450  | 1 350  | 600    | 7 018    | 18 928  | 23 876  | 24 692                 |                        |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | -           | 338                 | 500    | 227    | 538     | 930    | 750    | 605     | 370    | 1 910  | 1 800  | 15 055   | 23 023  | 8 492   | 5 550                  |                        |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | -           | -                   | -      | -      | -       | -      | -      | -       | -      | -      | -      | -        | -       | -   | -                      |                        |
| Vote 6 - FINANCIAL SERVICES  | -           | -                   | -      | -      | -       | -      | -      | -       | -      | -      | -      | -        | -       | -   | -                      |                        |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | -           | 500                 | -      | 1 000  | 1 000   | 1 000  | 1 000  | 1 000   | 1 000  | 1 000  | 1 000  | 4 700    | 13 200  | 8 900   | 8 900                  |                        |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | -           | -                   | 1 200  | 6 950  | 7 700   | 9 800  | 2 700  | 3 500   | -      | 1 500  | 1 300  | (15 750) | 18 900  | 26 500  | 28 527                 |                        |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 250         | 150                 | 200    | 2 500  | 2 000   | -      | -      | 200     | 200    | -      | -      | 16 272   | 21 772  | 23 502  | 23 305                 |                        |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 5 000       | 5 000               | 5 000  | 5 250  | 6 422   | 10 500 | 7 000  | 8 000   | 1 473  | -      | -      | (9 549)  | 44 096  | 36 178  | 34 485                 |                        |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | -           | -                   | -      | -      | -       | -      | -      | -       | 180    | -      | -      | -        | 180     | -   | -                      |                        |
| Capital single-year expenditure sub-total  | 5 250       | 6 978               | 9 680  | 18 252 | 20 240  | 23 730 | 13 000 | 19 731  | 6 673  | 7 060  | 5 700  | 5 820    | 142 114 | 129 537                                       | 127 609                |                        |
| Total Capital Expenditure  | 24 250      | 33 978              | 45 149 | 53 394 | 61 846  | 69 980 | 68 280 | 48 063  | 35 864 | 37 604 | 26 730 | 16 117   | 521 255 | 566 774                                       | 548 154                |                        |

**Table 64 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

| Description<br>R thousand                     | Budget Year 2017/18 |               |               |               |               |               |               |               |               |               |               |               | Medium Term Revenue and Expenditure Framework |                        |                        |
|---|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---|------------------------|------------------------|
|   | July                | August        | Sept.         | October       | Nov.          | Dec.          | January       | Feb.          | March         | April         | May           | June          | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>Capital Expenditure - Functional</b>       |                     |               |               |               |               |               |               |               |               |               |               |               |   |                        |                        |
| <i>Governance and administration</i>          | -                   | 338           | 900           | 5 296         | 15 038        | 10 930        | 21 860        | 17 081        | 8 796         | 9 310         | 9 550         | 1 200         | 100 299                                       | 126 907                | 58 125                 |
| Executive and council                         | -                   | -             | -             | 119           | -             | -             | -             | -             | -             | -             | -             | -             | 119   | 220                    | 182                    |
| Finance and administration                    | -                   | 338           | 900           | 5 177         | 15 038        | 10 930        | 21 860        | 17 081        | 8 796         | 9 310         | 9 550         | 1 200         | 100 180                                       | 126 687                | 57 943                 |
| Internal audit                                | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -   | -                      | -                      |
| <i>Community and public safety</i>            | -                   | 1 190         | 2 130         | 2 275         | 4 230         | 13 000        | 10 450        | 8 450         | 7 518         | 6 700         | 6 124         | 3 970         | 66 037  | 51 822                 | 45 993                 |
| Community and social services                 | -                   | 200           | 1 480         | 1 800         | 3 130         | 7 800         | 7 450         | 5 450         | 5 600         | 6 350         | 5 544         | 3 970         | 48 774  | 24 280                 | 17 208                 |
| Sport and recreation                          | -                   | 250           | 500           | 350           | 1 100         | 5 200         | 3 000         | 3 000         | 1 918         | 350           | 580           | -             | 16 248  | 27 342                 | 28 575                 |
| Public safety                                 | -                   | -             | 150           | 125           | -             | -             | -             | -             | -             | -             | -             | -             | 275   | -                      | -                      |
| Health  | -                   | 740           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | 740   | 200                    | 210                    |
| <i>Economic and environmental services</i>    | 10 250              | 10 150        | 11 050        | 11 950        | 8 672         | 10 800        | 7 638         | 3 900         | 5 900         | 5 100         | 5 100         | 5 097         | 95 607  | 110 404                | 131 147                |
| Planning and development                      | -                   | -             | 500           | 500           | 750           | 750           | 750           | 750           | 500           | 100           | 100           | 97            | 4 797   | 9 702                  | 17 842                 |
| Road transport                                | 10 250              | 10 150        | 10 550        | 11 450        | 7 922         | 10 050        | 6 888         | 3 150         | 5 400         | 5 000         | 5 000         | 5 000         | 90 810  | 100 702                | 113 305                |
| Environmental protection                      | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -   | -                      | -                      |
| <i>Trading services</i>                       | 14 000              | 22 300        | 29 719        | 33 873        | 33 906        | 35 250        | 31 183        | 21 582        | 9 700         | 10 400        | 6 000         | 11 400        | 259 313                                       | 277 642                | 312 889                |
| Energy sources                                | -                   | 6 000         | 7 119         | 8 373         | 4 900         | 9 850         | 11 350        | 13 200        | 5 900         | 2 550         | 2 000         | 10 900        | 82 142  | 89 488                 | 123 483                |
| Water management                              | 6 000               | 6 300         | 7 100         | 14 500        | 16 000        | 19 100        | 6 833         | 4 500         | 3 800         | 2 000         | 1 500         | 500           | 88 133  | 112 917                | 113 112                |
| Waste water management                        | 8 000               | 10 000        | 15 500        | 11 000        | 12 006        | 6 300         | 13 000        | 3 132         | -             | 5 100         | 2 500         | -             | 86 538  | 73 737                 | 75 214                 |
| Waste management                              | -                   | -             | -             | -             | 1 000         | -             | -             | 750           | -             | 750           | -             | -             | 2 500   | 1 500                  | 1 080                  |
| <b>Total Capital Expenditure - Functional</b> | <b>24 250</b>       | <b>33 978</b> | <b>43 799</b> | <b>53 394</b> | <b>61 846</b> | <b>69 980</b> | <b>71 130</b> | <b>51 013</b> | <b>31 914</b> | <b>31 510</b> | <b>26 774</b> | <b>21 667</b> | <b>521 255</b>                                | <b>566 774</b>         | <b>548 154</b>         |
| <b>Funded by:</b>                             |                     |               |               |               |               |               |               |               |               |               |               |               |   |                        |                        |
| National Government                           | 15 000              | 15 000        | 20 500        | 19 500        | 16 272        | 27 400        | 20 633        | 8 132         | 2 368         | 500           | 1 500         | 500           | 147 305                                       | 165 414                | 195 862                |
| Provincial Government                         | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -   | -                      | -                      |
| <i>Transfers recognised - capital</i>         | 15 000              | 15 000        | 20 500        | 19 500        | 16 272        | 27 400        | 20 633        | 8 132         | 2 368         | 500           | 1 500         | 500           | 147 305                                       | 165 414                | 195 862                |
| Public contributions & donations              | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -   | -                      | -                      |
| Borrowing                                     | -                   | 500           | 3 700         | 9 300         | 10 750        | 11 250        | 13 550        | 16 700        | 12 000        | 6 550         | 5 000         | 10 700        | 100 000                                       | 100 000                | -                      |
| Internally generated funds                    | 9 250               | 18 478        | 19 599        | 24 594        | 34 824        | 31 330        | 36 948        | 26 181        | 17 546        | 24 460        | 20 274        | 10 467        | 273 950                                       | 301 360                | 352 292                |
| <b>Total Capital Funding</b>                  | <b>24 250</b>       | <b>33 978</b> | <b>43 799</b> | <b>53 394</b> | <b>61 846</b> | <b>69 980</b> | <b>71 130</b> | <b>51 013</b> | <b>31 914</b> | <b>31 510</b> | <b>26 774</b> | <b>21 667</b> | <b>521 255</b>                                | <b>566 774</b>         | <b>548 154</b>         |

**Table 65 MBRR SA30 - Budgeted monthly cash flow**

| MONTHLY CASH FLOWS<br>R thousand         | Budget Year 2017/18 |                |                |                |                |                |                |                |                |                |                |                | Medium Term Revenue and Expenditure Framework |                        |                        |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---|------------------------|------------------------|
|  | July                | August         | Sept.          | October        | November       | December       | January        | February       | March          | April          | May            | June           | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b><u>Cash Receipts By Source</u></b>    |                     |                |                |                |                |                |                |                |                |                |                |                |   |                        |                        |
| Property rates                           | 36 230              | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 36 230         | 434 758                                       | 455 551                | 487 024                |
| Service charges - electricity revenue    | 119 139             | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 119 139        | 1 429 667                                     | 1 497 562              | 1 601 437              |
| Service charges - water revenue          | 24 068              | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 068         | 24 069         | 288 822                                       | 302 482                | 323 463                |
| Service charges - sanitation revenue     | 7 174               | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 7 174          | 86 089  | 90 183                 | 96 578                 |
| Service charges - refuse revenue         | 5 972               | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 5 972          | 71 660  | 75 068                 | 80 387                 |
| Rental of facilities and equipment       | 667                 | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 667            | 8 008   | 7 350                  | 7 852                  |
| Interest earned - external investments   | 3 495               | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 3 495          | 41 942  | 42 040                 | 47 181                 |
| Interest earned - outstanding debtors    | 4                   | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 4              | 53  | 55                     | 58                     |
| Fines, penalties and forfeits            | 630                 | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 630            | 7 563   | 7 929                  | 8 424                  |
| Licences and permits                     | 301                 | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 301            | 3 609   | 3 789                  | 3 978                  |
| Agency services                          | 616                 | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 616            | 7 390   | 7 755                  | 8 142                  |
| Transfer receipts - operational          | 27 197              | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 27 197         | 326 359                                       | 353 998                | 384 645                |
| Other revenue                            | 2 897               | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 2 897          | 34 764  | 36 398                 | 38 902                 |
| <b>Cash Receipts by Source</b>           | <b>228 390</b>      | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>228 390</b> | <b>2 740 683</b>                              | <b>2 880 161</b>       | <b>3 088 072</b>       |
| <b><u>Other Cash Flows by Source</u></b> |                     |                |                |                |                |                |                |                |                |                |                |                |   |                        |                        |
| Transfer receipts - capital              | 12 275              | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 12 275         | 147 305                                       | 165 414                | 195 862                |
| Borrowing long term/refinancing          | -                   | -              | -              | -              | -              | 100 000        | -              | -              | -              | -              | -              | -              | 100 000                                       | 100 000                | -                      |
| Increase (decrease) in consumer deposits | -                   | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -   | -                      | -                      |
| <b>Total Cash Receipts by Source</b>     | <b>240 666</b>      | <b>240 666</b> | <b>240 666</b> | <b>240 666</b> | <b>240 666</b> | <b>340 666</b> | <b>240 666</b> | <b>2 987 988</b>                              | <b>3 145 575</b>       | <b>3 283 934</b>       |

**Table MBRR SA30 - Budgeted monthly cash flow (continued)**

| MONTHLY CASH FLOWS                             | Budget Year 2017/18 |                |                |                |                |                |                |                |                |                |                |                  | Medium Term Revenue and Expenditure Framework |                        |                        |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|---|------------------------|------------------------|
|  | July                | August         | Sept.          | October        | November       | December       | January        | February       | March          | April          | May            | June             | Budget Year 2017/18                           | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>Cash Payments by Type</b>                   |                     |                |                |                |                |                |                |                |                |                |                |                  |   |                        |                        |
| Employee related costs                         | 59 467              | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467         | 59 467           | 713 599                                       | 768 939                | 832 964                |
| Remuneration of councillors                    | 2 429               | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429          | 2 429            | 29 147  | 31 188                 | 33 218                 |
| Finance charges                                | –                   | –              | 243            | –              | –              | 35 813         | –              | –              | 179            | –              | –              | 37 166           | 73 401  | 72 194                 | 69 073                 |
| Bulk purchases - Electricity                   | 79 574              | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574         | 79 574           | 954 886                                       | 974 437                | 1 057 406              |
| Bulk purchases - Water & Sewer                 | 8 182               | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182          | 8 182            | 98 178  | 104 516                | 110 880                |
| Other materials                                | 13 367              | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367         | 13 367           | 160 405                                       | 172 710                | 181 522                |
| Contracted services                            | 12 658              | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658         | 12 658           | 151 897                                       | 158 112                | 167 141                |
| Transfers and grants - other                   | 977                 | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977            | 977              | 11 729  | 12 324                 | 12 808                 |
| Other expenditure                              | 16 737              | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737         | 16 737           | 200 842                                       | 212 443                | 225 286                |
| <b>Cash Payments by Type</b>                   | <b>193 390</b>      | <b>193 390</b> | <b>193 634</b> | <b>193 390</b> | <b>193 390</b> | <b>229 203</b> | <b>193 390</b> | <b>193 390</b> | <b>193 569</b> | <b>193 390</b> | <b>193 390</b> | <b>230 556</b>   | <b>2 394 083</b>                              | <b>2 506 864</b>       | <b>2 690 296</b>       |
| <b>Other Cash Flows/Payments by Type</b>       |                     |                |                |                |                |                |                |                |                |                |                |                  |   |                        |                        |
| Capital assets                                 | 41 607              | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607         | 41 607           | 499 283                                       | 557 670                | 551 878                |
| Repayment of borrowing                         | –                   | –              | 971            | –              | –              | 75 048         | –              | –              | 1 035          | –              | –              | 81 810           | 158 864                                       | 159 365                | 78 531                 |
| <b>Total Cash Payments by Type</b>             | <b>234 997</b>      | <b>234 997</b> | <b>236 211</b> | <b>234 997</b> | <b>234 997</b> | <b>345 858</b> | <b>234 997</b> | <b>234 997</b> | <b>236 211</b> | <b>234 997</b> | <b>234 997</b> | <b>353 973</b>   | <b>3 052 230</b>                              | <b>3 223 899</b>       | <b>3 320 705</b>       |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>    | <b>5 669</b>        | <b>5 669</b>   | <b>4 454</b>   | <b>5 669</b>   | <b>5 669</b>   | <b>(5 192)</b> | <b>5 669</b>   | <b>5 669</b>   | <b>4 454</b>   | <b>5 669</b>   | <b>5 669</b>   | <b>(113 308)</b> | <b>(64 242)</b>                               | <b>(78 324)</b>        | <b>(36 771)</b>        |
| Cash/cash equivalents at the month/year begin: | 592 178             | 597 846        | 603 515        | 607 969        | 613 638        | 619 306        | 614 114        | 619 783        | 625 452        | 629 906        | 635 575        | 641 243          | 592 178                                       | 527 936                | 449 612                |
| Cash/cash equivalents at the month/year end:   | 597 846             | 603 515        | 607 969        | 613 638        | 619 306        | 614 114        | 619 783        | 625 452        | 629 906        | 635 575        | 641 243        | 527 936          | 449 612                                       | 412 841                |                        |

## 2.10 Contracts having future budgetary implications

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

**Table 66 MBRR SA33 - Contracts having future budgetary implications**

| Description<br>R thousand                         | Preceding<br>Years | Current Year<br>2016/17 | 2017/18 Medium Term Revenue & Expenditure Framework |                    |                        | Forecast<br>2020/21       | Forecast<br>2021/22       | Forecast<br>2022/23 | Forecast<br>2023/24 | Forecast<br>2024/25 | Forecast<br>2025/26 | Forecast<br>2026/27 | Total<br>Contract<br>Value |
|---|--------------------|-------------------------|---|--------------------|------------------------|---------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
|   |                    |                         | Total   | Original<br>Budget | Budget Year<br>2017/18 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Estimate            | Estimate            | Estimate            | Estimate            | Estimate            | Estimate                   |
| Parent Municipality:                              |                    |                         |   |                    |                        |                           |                           |                     |                     |                     |                     |                     |                            |
| <u>Expenditure Obligation By Contract</u>         |                    |                         |   |                    |                        |                           |                           |                     |                     |                     |                     |                     |                            |
| <i>R &amp; H (Pty) Ltd and Lincor</i>             | -                  | 1 010                   | 1 050   | 1 092              | 1 158                  | 1 227                     | 1 301                     | 1 379               | 1 462               | 1 550               | 1 643               | 1 741               | 14 613                     |
| <b>Total Operating Expenditure Implication</b>    | -                  | 1 010                   | 1 050   | 1 092              | 1 158                  | 1 227                     | 1 301                     | 1 379               | 1 462               | 1 550               | 1 643               | 1 741               | 14 613                     |
| <u>Capital Expenditure Obligation By Contract</u> |                    |                         |   |                    |                        |                           |                           |                     |                     |                     |                     |                     |                            |
| <i>BMK Consulting and X-Moor Transport</i>        | -                  | 41 750                  | 38 588  | 40 000             | 46 000                 | 46 000                    | 46 000                    | 46 000              | 46 000              | 46 000              | 46 000              | 46 000              | 488 338                    |
| <b>Total Capital Expenditure Implication</b>      | -                  | 41 750                  | 38 588  | 40 000             | 46 000                 | 46 000                    | 46 000                    | 46 000              | 46 000              | 46 000              | 46 000              | 46 000              | 488 338                    |
| <b>Total Parent Expenditure Implication</b>       | -                  | 42 760                  | 39 638  | 41 092             | 47 158                 | 47 227                    | 47 301                    | 47 379              | 47 462              | 47 550              | 47 643              | 47 741              | 502 951                    |

## 2.11 Capital expenditure details

The following three tables present details of the City's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 67 MBRR SA34a - Capital expenditure on new assets by asset class**

| Description<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b> |   |                           |                           |
| <b>Infrastructure</b>  | <b>192 835</b>                                      | <b>202 676</b>            | <b>262 663</b>            |
| Roads Infrastructure   | 34 772  | 38 102                    | 60 305                    |
| <i>Roads</i>   | 30 772  | 32 002                    | 45 305                    |
| <i>Road Structures</i>   | 3 000   | 5 000                     | 15 000                    |
| <i>Road Furniture</i>  | 1 000   | 1 100                     | –                         |
| Electrical Infrastructure  | 23 092  | 27 900                    | 63 900                    |
| <i>MV Switching Stations</i>   | –   | –                         | 15 000                    |
| <i>MV Networks</i>   | 14 192  | 19 000                    | 40 000                    |
| <i>LV Networks</i>   | 8 900   | 8 900                     | 8 900                     |
| Water Supply Infrastructure  | 72 233  | 84 037                    | 83 664                    |
| <i>Reservoirs</i>  | 1 100   | 19 000                    | 19 000                    |
| <i>Distribution</i>  | 68 633  | 64 237                    | 63 364                    |
| <i>Distribution Points</i>   | 2 500   | 800                       | 1 300                     |
| Sanitation Infrastructure  | 60 738  | 49 437                    | 51 714                    |
| <i>Pump Station</i>  | 600   | 700                       | 876                       |
| <i>Reticulation</i>  | 29 006  | 13 000                    | 13 000                    |
| <i>Waste Water Treatment Works</i>                                       | 31 132  | 35 737                    | 37 837                    |
| Solid Waste Infrastructure   | 1 500   | 500                       | 80                        |
| <i>Waste Transfer Stations</i>   | 1 500   | 500                       | 80                        |
| Information and Communication Infrastructure                             | 500   | 2 700                     | 3 000                     |
| <i>Data Centres</i>  | 500   | 2 700                     | 3 000                     |

**Table MBRR SA34a - Capital expenditure on new assets by asset class (continued)**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital expenditure on new assets by Asset Class/Sub-class</b> |   |                           |                           |
| <b>Community Assets</b>   | <b>21 562</b>                                       | <b>32 621</b>             | <b>28 160</b>             |
| Community Facilities  | 8 644   | 7 650                     | 2 100                     |
| <i>Halls</i>  | 1 144   | 2 000                     | 2 100                     |
| <i>Libraries</i>  | 930   | 650                       | –                         |
| <i>Markets</i>  | 5 070   | 3 500                     | –                         |
| <i>Taxi Ranks/Bus Terminals</i>                                   | 1 500   | 1 500                     | –                         |
| Sport and Recreation Facilities                                   | 12 918  | 24 971                    | 26 060                    |
| <i>Outdoor Facilities</i>   | 12 918  | 24 971                    | 26 060                    |
| <b>Other assets</b>   | <b>25 957</b>                                       | <b>9 152</b>              | <b>5 142</b>              |
| Operational Buildings   | 20 457  | 9 152                     | 5 142                     |
| <i>Municipal Offices</i>  | 20 457  | 9 152                     | 5 142                     |
| Housing   | 5 500   | –                         | –                         |
| <i>Staff Housing</i>  | 5 500   | –                         | –                         |
| <b>Intangible Assets</b>  | <b>39 940</b>                                       | <b>71 000</b>             | <b>2 000</b>              |
| Licences and Rights   | 39 940  | 71 000                    | 2 000                     |
| <i>Computer Software and Applications</i>                         | 39 940  | 71 000                    | 2 000                     |
| <b>Computer Equipment</b>   | <b>543</b>  | <b>2 862</b>              | <b>2 500</b>              |
| Computer Equipment  | 543   | 2 862                     | 2 500                     |
| <b>Furniture and Office Equipment</b>                             | <b>317</b>  | <b>220</b>                | <b>182</b>                |
| Furniture and Office Equipment                                    | 317   | 220                       | 182                       |
| <b>Machinery and Equipment</b>                                    | <b>20 426</b>                                       | <b>17 238</b>             | <b>15 716</b>             |
| Machinery and Equipment   | 20 426  | 17 238                    | 15 716                    |
| <b>Transport Assets</b>   | <b>40 410</b>                                       | <b>29 390</b>             | <b>30 437</b>             |
| Transport Assets  | 40 410  | 29 390                    | 30 437                    |
| <b>Total Capital Expenditure on new assets</b>                    | <b>341 990</b>                                      | <b>365 158</b>            | <b>346 800</b>            |

**Table 68 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b> |   |                           |                           |
| <b>Infrastructure</b>   | <b>110 838</b>                                      | <b>147 268</b>            | <b>146 294</b>            |
| Roads Infrastructure  | 40 588  | 42 000                    | 46 000                    |
| <i>Roads</i>  | 39 588  | 41 000                    | 46 000                    |
| <i>Road Structures</i>  | 1 000   | 1 000                     | –                         |
| Electrical Infrastructure   | 49 050  | 61 588                    | 54 083                    |
| <i>HV Switching Station</i>   | –   | –                         | 4 500                     |
| <i>HV Transmission Conductors</i>   | 5 800   | 3 000                     | 3 000                     |
| <i>MV Switching Stations</i>  | 12 000  | 25 000                    | 20 500                    |
| <i>MV Networks</i>  | 19 150  | 21 900                    | 11 083                    |
| <i>LV Networks</i>  | 12 100  | 11 688                    | 15 000                    |
| Water Supply Infrastructure   | 16 900  | 32 600                    | 33 053                    |
| <i>Reservoirs</i>   | 700   | 300                       | 1 053                     |
| <i>Water Treatment Works</i>  | 1 000   | 300                       | 2 000                     |
| <i>Distribution</i>   | 15 200  | 32 000                    | 30 000                    |
| Sanitation Infrastructure   | 4 300   | 9 080                     | 9 658                     |
| <i>Pump Station</i>   | 3 300   | 9 080                     | 9 658                     |
| <i>Reticulation</i>   | 1 000   | –                         | –                         |
| Information and Communication Infrastructure                                      | –   | 2 000                     | 3 500                     |
| <i>Data Centres</i>   | –   | 2 000                     | 3 500                     |
| <b>Community Assets</b>   | <b>2 830</b>  | <b>2 090</b>              | <b>2 092</b>              |
| Community Facilities  | 1 730   | 1 145                     | 1 100                     |
| <i>Libraries</i>  | 480   | 200                       | –                         |
| <i>Cemeteries/Crematoria</i>  | 900   | 945                       | 1 100                     |
| <i>Taxi Ranks/Bus Terminals</i>   | 350   | –                         | –                         |
| Sport and Recreation Facilities   | 1 100   | 945                       | 992                       |
| <i>Outdoor Facilities</i>   | 1 100   | 945                       | 992                       |
| <b>Other assets</b>   | <b>4 227</b>  | <b>200</b>                | <b>50</b>                 |
| Operational Buildings   | 4 227   | 200                       | 50                        |
| <i>Municipal Offices</i>  | 4 227   | 200                       | 50                        |
| <b>Furniture and Office Equipment</b>   | <b>541</b>  | <b>257</b>                | <b>274</b>                |
| Furniture and Office Equipment  | 541   | 257                       | 274                       |
| <b>Machinery and Equipment</b>  | <b>3 080</b>  | <b>2 090</b>              | <b>2 133</b>              |
| Machinery and Equipment   | 3 080   | 2 090                     | 2 133                     |
| <b>Transport Assets</b>   | <b>–</b>  | <b>250</b>                | <b>542</b>                |
| Transport Assets  | –   | 250                       | 542                       |
| <b>Total Capital Expenditure on renewal of existing asset</b>                     | <b>121 516</b>                                      | <b>152 155</b>            | <b>151 386</b>            |
| <b>Renewal of Existing Assets as % of total capex</b>                             | 23.3%   | 26.8%                     | 27.6%                     |
| <b>Renewal of Existing Assets as % of deprecn"</b>                                | 32.2%   | 37.9%                     | 35.4%                     |

**Table 69 MBRR SA34e – Capital expenditure on the upgrading of existing assets by asset class**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Capital expenditure on upgrading of existing assets by Asset Class/Sub-class</b> |   |                           |                           |
| <b>Infrastructure</b>   | <b>40 270</b>                                       | <b>37 600</b>             | <b>36 737</b>             |
| Roads Infrastructure  | 13 000  | 26 100                    | 22 000                    |
| <i>Roads</i>  | 13 000  | 21 100                    | 22 000                    |
| <i>Road Structures</i>  | –   | 5 000                     | –                         |
| Electrical Infrastructure   | 8 000   | –                         | 5 500                     |
| <i>MV Switching Stations</i>  | 8 000   | –                         | 2 500                     |
| <i>MV Networks</i>  | –   | –                         | 3 000                     |
| Water Supply Infrastructure   | 1 100   | 500                       | 737                       |
| <i>Distribution</i>   | 1 100   | 500                       | 737                       |
| Sanitation Infrastructure   | 15 000  | 9 500                     | 6 500                     |
| <i>Pump Station</i>   | 9 000   | 7 500                     | 4 500                     |
| <i>Reticulation</i>   | 6 000   | 2 000                     | 2 000                     |
| Information and Communication Infrastructure  | 3 170   | 1 500                     | 2 000                     |
| <i>Data Centres</i>   | 3 170   | 1 500                     | 2 000                     |
|   | <b>7 430</b>  | <b>3 266</b>              | <b>3 675</b>              |
| <b>Community Assets</b>   |   |                           |                           |
| Community Facilities  | 6 650   | 2 440                     | 2 802                     |
| <i>Halls</i>  | 3 000   | 840                       | –                         |
| <i>Libraries</i>  | 150   | 1 600                     | 2 802                     |
| <i>Stalls</i>   | 3 500   | –                         | –                         |
| Sport and Recreation Facilities   | 780   | 826                       | 873                       |
| <i>Outdoor Facilities</i>   | 780   | 826                       | 873                       |
|   | <b>9 550</b>  | <b>8 595</b>              | <b>9 556</b>              |
| <b>Other assets</b>   |   |                           |                           |
| Operational Buildings   | 9 550   | 8 595                     | 9 556                     |
| <i>Municipal Offices</i>  | 7 550   | 8 595                     | 8 476                     |
| <i>Depots</i>   | 2 000   | –                         | 1 080                     |
| <b>Intangible Assets</b>  |   |                           |                           |
| Licences and Rights   | 500   | –                         | –                         |
| <i>Computer Software and Applications</i>   | 500   | –                         | –                         |
| <b>Total Capital Expenditure on upgrading of existing assets</b>                    | <b>57 750</b>                                       | <b>49 461</b>             | <b>49 968</b>             |
| <b>Upgrading of Existing Assets as % of total capex</b>                             | 11.1%   | 8.7%                      | 9.1%                      |
| <b>Upgrading of Existing Assets as % of deprecn"</b>                                | 15.3%   | 12.3%                     | 11.7%                     |

**Table 70 MBRR SA34c - Repairs and maintenance expenditure by asset class**

| Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>Repairs and maintenance expenditure by Asset Class/Sub-class</b> |   |                           |                           |
| <b>Infrastructure</b>   | <b>394 413</b>                                      | <b>425 616</b>            | <b>452 784</b>            |
| Roads Infrastructure  | 91 356  | 96 177                    | 101 362                   |
| <i>Roads</i>  | 71 472  | 75 144                    | 79 106                    |
| <i>Road Structures</i>  | 7 876   | 8 288                     | 8 734                     |
| <i>Road Furniture</i>   | 12 008  | 12 746                    | 13 522                    |
| Storm water Infrastructure  | 30 794  | 28 787                    | 30 314                    |
| <i>Drainage Collection</i>  | 13 835  | 12 147                    | 12 786                    |
| <i>Storm water Conveyance</i>                                       | 16 959  | 16 639                    | 17 528                    |
| Electrical Infrastructure   | 122 835   | 139 810                   | 149 543                   |
| <i>HV Transmission Conductors</i>                                   | 9 242   | 12 714                    | 13 565                    |
| <i>MV Networks</i>  | 83 831  | 94 829                    | 101 739                   |
| <i>LV Networks</i>  | 29 762  | 32 267                    | 34 240                    |
| Water Supply Infrastructure   | 91 027  | 99 138                    | 106 014                   |
| <i>Distribution</i>   | 77 438  | 84 319                    | 89 748                    |
| <i>Distribution Points</i>  | 13 589  | 14 819                    | 16 266                    |
| Sanitation Infrastructure   | 54 242  | 57 339                    | 60 968                    |
| <i>Pump Station</i>   | 29 912  | 30 819                    | 32 508                    |
| <i>Reticulation</i>   | 23 771  | 25 905                    | 27 783                    |
| <i>Toilet Facilities</i>  | 559   | 615                       | 677                       |
| Rail Infrastructure   | 1 117   | 1 171                     | 1 227                     |
| <i>Rail Lines</i>   | 1 117   | 1 171                     | 1 227                     |
| Information and Communication Infrastructure                        | 3 043   | 3 195                     | 3 355                     |
| <i>Data Centres</i>   | 3 043   | 3 195                     | 3 355                     |
| <b>Community Assets</b>   | <b>69 734</b>                                       | <b>74 074</b>             | <b>78 842</b>             |
| Community Facilities  | 6 995   | 7 429                     | 7 903                     |
| <i>Halls</i>  | 2 872   | 3 055                     | 3 258                     |
| <i>Fire/Ambulance Stations</i>                                      | 354   | 375                       | 397                       |
| <i>Museums</i>  | 98  | 105                       | 113                       |
| <i>Libraries</i>  | 919   | 978                       | 1 042                     |
| <i>Cemeteries/Crematoria</i>  | 2 713   | 2 874                     | 3 050                     |
| <i>Taxi Ranks/Bus Terminals</i>                                     | 39  | 41                        | 44                        |
| Sport and Recreation Facilities                                     | 62 740  | 66 645                    | 70 938                    |
| <i>Outdoor Facilities</i>   | 62 740  | 66 645                    | 70 938                    |

**Table MBRR SA34c - Repairs and maintenance expenditure by asset class**

| Description<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Repairs and maintenance expenditure by Asset Class/Sub-class</u></b> |   |                           |                           |
| <b><u>Other assets</u></b>   | <b>17 663</b>                                       | <b>19 337</b>             | <b>20 646</b>             |
| Operational Buildings  | 17 124  | 18 738                    | 19 982                    |
| <i>Municipal Offices</i>   | 17 124  | 18 738                    | 19 982                    |
| Housing  | 540   | 598                       | 664                       |
| <i>Social Housing</i>  | 540   | 598                       | 664                       |
| <b><u>Computer Equipment</u></b>   | <b>798</b>  | <b>838</b>                | <b>880</b>                |
| Computer Equipment   | 798   | 838                       | 880                       |
| <b><u>Furniture and Office Equipment</u></b>                               | <b>28</b>   | <b>29</b>                 | <b>32</b>                 |
| Furniture and Office Equipment   | 28  | 29                        | 32                        |
| <b><u>Machinery and Equipment</u></b>                                      | <b>17 956</b>                                       | <b>18 986</b>             | <b>19 980</b>             |
| Machinery and Equipment  | 17 956  | 18 986                    | 19 980                    |
| <b><u>Transport Assets</u></b>   | <b>33 705</b>                                       | <b>35 787</b>             | <b>38 025</b>             |
| Transport Assets   | 33 705  | 35 787                    | 38 025                    |
| <b>Total Repairs and Maintenance Expenditure</b>                           | <b>534 296</b>                                      | <b>574 665</b>            | <b>611 188</b>            |
| <b><i>R&amp;M as a % of PPE</i></b>  | <b>10.2%</b>  | <b>11.0%</b>              | <b>11.4%</b>              |
| <b><i>R&amp;M as % Operating Expenditure</i></b>                           | <b>18.5%</b>  | <b>19.9%</b>              | <b>20.2%</b>              |

**Table 71 MBRR SA34d – Depreciation by asset class**

| Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Depreciation by Asset Class/Sub-class</u></b> |   |                           |                           |
| <b>Infrastructure</b>                               | <b>248 606</b>                                      | <b>274 574</b>            | <b>347 854</b>            |
| Roads Infrastructure                                | 63 867  | 75 244                    | 100 139                   |
| <i>Roads</i>  | 60 253  | 66 671                    | 88 432                    |
| <i>Road Structures</i>                              | 2 891   | 7 793                     | 11 707                    |
| <i>Road Furniture</i>                               | 723   | 779                       | –                         |
| Electrical Infrastructure                           | 57 928  | 63 402                    | 94 034                    |
| <i>HV Switching Station</i>                         | –   | –                         | 3 512                     |
| <i>HV Transmission Conductors</i>                   | 4 192   | 2 125                     | 2 341                     |
| <i>MV Switching Stations</i>                        | 14 456  | 17 712                    | 27 707                    |
| <i>MV Networks</i>                                  | 24 100  | 28 978                    | 41 820                    |
| <i>LV Networks</i>                                  | 15 179  | 14 587                    | 18 653                    |
| Water Supply Infrastructure                         | 65 221  | 82 991                    | 91 670                    |
| <i>Reservoirs</i>                                   | 1 301   | 13 674                    | 15 651                    |
| <i>Water Treatment Works</i>                        | 723   | 213                       | 1 561                     |
| <i>Distribution</i>                                 | 61 390  | 68 538                    | 73 444                    |
| <i>Distribution Points</i>                          | 1 807   | 567                       | 1 015                     |
| Sanitation Infrastructure                           | 57 853  | 48 190                    | 52 972                    |
| <i>Pump Station</i>                                 | 9 324   | 12 243                    | 11 734                    |
| <i>Reticulation</i>                                 | 26 026  | 10 627                    | 11 707                    |
| <i>Waste Water Treatment Works</i>                  | 22 503  | 25 320                    | 29 531                    |
| Solid Waste Infrastructure                          | 1 084   | 354                       | 62                        |
| <i>Waste Transfer Stations</i>                      | 1 084   | 354                       | 62                        |
| Information and Communication Infrastructure        | 2 653   | 4 393                     | 8 976                     |
| <i>Data Centres</i>                                 | 2 653   | 4 393                     | 8 976                     |
| <b>Community Assets</b>                             | <b>23 001</b>                                       | <b>26 906</b>             | <b>26 479</b>             |
| Community Facilities                                | 12 305  | 7 960                     | 4 684                     |
| <i>Halls</i>  | 2 995   | 2 012                     | 1 639                     |
| <i>Libraries</i>                                    | 1 128   | 1 736                     | 2 187                     |
| <i>Cemeteries/Crematoria</i>                        | 651   | 670                       | 859                       |
| <i>Markets</i>                                      | 3 665   | 2 480                     | –                         |
| <i>Stalls</i>                                       | 2 530   | –                         | –                         |
| <i>Taxi Ranks/Bus Terminals</i>                     | 1 337   | 1 063                     | –                         |
| Sport and Recreation Facilities                     | 10 696  | 18 946                    | 21 795                    |
| <i>Outdoor Facilities</i>                           | 10 696  | 18 946                    | 21 795                    |

**Table MBRR SA34d – Depreciation by asset class (continued)**

| Description<br>R thousand                           | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b><u>Depreciation by Asset Class/Sub-class</u></b> |   |                           |                           |
| <b>Investment properties</b>                        | 78  | 78                        | 78                        |
| Non-revenue Generating                              | 78  | 78                        | 78                        |
| <i>Improved Property</i>                            | 78  | 78                        | 78                        |
| <b>Other assets</b>                                 | <b>28 720</b>                                       | <b>12 715</b>             | <b>11 511</b>             |
| Operational Buildings                               | 24 745  | 12 715                    | 11 511                    |
| <i>Municipal Offices</i>                            | 23 299  | 12 715                    | 10 668                    |
| <i>Depots</i>                                       | 1 446   | –                         | 843                       |
| Housing   | 3 975   | –                         | –                         |
| <i>Social Housing</i>                               | 3 975   | –                         | –                         |
| <b>Intangible Assets</b>                            | <b>29 231</b>                                       | <b>50 303</b>             | <b>1 561</b>              |
| Servitudes  | –   | –                         | –                         |
| Licences and Rights                                 | 29 231  | 50 303                    | 1 561                     |
| <i>Computer Software and Applications</i>           | 29 231  | 50 303                    | 1 561                     |
| <b>Computer Equipment</b>                           | <b>392</b>  | <b>2 028</b>              | <b>1 951</b>              |
| Computer Equipment                                  | 392   | 2 028                     | 1 951                     |
| <b>Furniture and Office Equipment</b>               | <b>620</b>  | <b>338</b>                | <b>356</b>                |
| Furniture and Office Equipment                      | 620   | 338                       | 356                       |
| <b>Machinery and Equipment</b>                      | <b>16 990</b>                                       | <b>13 694</b>             | <b>13 931</b>             |
| Machinery and Equipment                             | 16 990  | 13 694                    | 13 931                    |
| <b>Transport Assets</b>                             | <b>29 209</b>                                       | <b>21 000</b>             | <b>24 178</b>             |
| Transport Assets                                    | 29 209  | 21 000                    | 24 178                    |
| <b>Total Depreciation</b>                           | <b>376 848</b>                                      | <b>401 636</b>            | <b>427 900</b>            |

**Table 72 MBRR SA35 - Future financial implications of the capital budget**

| Vote Description<br>R thousand   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           | Forecasts           |                     |                     |               |
|--|---|---------------------------|---------------------------|---------------------|---------------------|---------------------|---------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Forecast<br>2020/21 | Forecast<br>2021/22 | Forecast<br>2022/23 | Present value |
| <b><u>Capital expenditure</u></b>  |   |                           |                           |                     |                     |                     |               |
| Vote 1 - CITY DEVELOPMENT  | 4 797   | 2 702                     | 2 842                     | 3 024               | 3 217               | 3 422               | -             |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 5 225   | 2 400                     | 1 990                     | 2 117               | 2 252               | 2 396               | -             |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 21 708  | 33 577                    | 34 577                    | 36 783              | 39 130              | 41 626              | -             |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 86 486  | 98 407                    | 24 651                    | 26 224              | 27 897              | 29 677              | -             |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | -   | 200                       | -                         | -                   | -                   | -                   | -             |
| Vote 6 - FINANCIAL SERVICES  | 441   | 467                       | 494                       | 526                 | 559                 | 595                 | -             |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 82 142  | 89 488                    | 123 483                   | 131 361             | 139 742             | 148 658             | -             |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 174 671   | 186 654                   | 188 326                   | 200 341             | 213 123             | 226 720             | -             |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 90 210  | 107 702                   | 128 305                   | 136 491             | 145 199             | 154 463             | -             |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 55 396  | 45 178                    | 43 485                    | 46 260              | 49 211              | 52 351              | -             |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 180   | -                         | -                         | -                   | -                   | -                   | -             |
| <b>Total Capital Expenditure</b>   | <b>521 255</b>                                      | <b>566 774</b>            | <b>548 154</b>            | <b>583 126</b>      | <b>620 330</b>      | <b>659 907</b>      | -             |
| <b><u>Future operational costs by vote</u></b>                                   |   |                           |                           |                     |                     |                     |               |
| Vote 1 - CITY DEVELOPMENT  | 79 356  | 83 441                    | 89 138                    | 94 486              | 100 155             | 106 164             | -             |
| Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY                           | 277 507   | 299 399                   | 321 853                   | 341 164             | 361 634             | 383 332             | -             |
| Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES            | 204 221   | 221 251                   | 238 702                   | 253 024             | 268 205             | 284 298             | -             |
| Vote 4 - CORPORATE SERVICES - ADMINISTRATION                                     | 11 477  | 12 949                    | 14 467                    | 15 335              | 16 255              | 17 231              | -             |
| Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES                                    | 4 059   | 4 350                     | 4 646                     | 4 924               | 5 220               | 5 533               | -             |
| Vote 6 - FINANCIAL SERVICES  | 17 468  | 18 352                    | 19 371                    | 20 533              | 21 765              | 23 071              | -             |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES      | 1 286 997   | 1 338 834                 | 1 445 889                 | 1 532 642           | 1 624 601           | 1 722 077           | -             |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | 677 161   | 715 141                   | 756 305                   | 801 684             | 849 785             | 900 772             | -             |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | 245 528   | 255 979                   | 269 998                   | 286 198             | 303 370             | 321 572             | -             |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES   | 43 923  | 42 926                    | 46 303                    | 49 081              | 52 026              | 55 147              | -             |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER  | 35 046  | 33 874                    | 36 177                    | 38 348              | 40 648              | 43 087              | -             |
| <b>Total future operational costs</b>  | <b>2 882 744</b>                                    | <b>3 026 497</b>          | <b>3 242 848</b>          | <b>3 437 419</b>    | <b>3 643 664</b>    | <b>3 862 284</b>    | -             |
| <b><u>Future revenue by source</u></b>   |   |                           |                           |                     |                     |                     |               |
| Property rates   | 452 872   | 474 533                   | 507 317                   | 537 756             | 570 021             | 604 222             | -             |
| Service charges - electricity revenue  | 1 534 317   | 1 607 696                 | 1 718 765                 | 1 821 891           | 1 931 204           | 2 047 076           | -             |
| Service charges - water revenue  | 309 992   | 324 819                   | 347 258                   | 369 094             | 390 179             | 413 590             | -             |
| Service charges - sanitation revenue   | 91 995  | 96 398                    | 103 059                   | 109 243             | 115 798             | 122 746             | -             |
| Service charges - refuse revenue   | 76 575  | 80 236                    | 85 780                    | 90 927              | 96 382              | 102 165             | -             |
| Service charges - other  | -   | -                         | -                         | -                   | -                   | -                   | -             |
| Rental of facilities and equipment   | 8 008   | 7 350                     | 7 852                     | 8 324               | 8 823               | 9 352               | -             |
| Interest Earned - External Investments   | 41 942  | 42 040                    | 47 181                    | 50 012              | 53 013              | 56 194              | -             |
| Interest Earned - Outstanding Debtors  | 53  | 55                        | 58                        | 62                  | 65                  | 69                  | -             |
| Fines, Penalties and Forfeits  | 7 563   | 7 929                     | 8 424                     | 8 929               | 9 465               | 10 033              | -             |
| Licences and Permits   | 3 609   | 3 789                     | 3 978                     | 4 217               | 4 470               | 4 738               | -             |
| Agency Services  | 7 390   | 7 755                     | 8 142                     | 8 631               | 9 148               | 9 697               | -             |
| Transfer Recognised - Operational  | 326 359   | 353 998                   | 384 645                   | 407 724             | 432 187             | 458 118             | -             |
| Other Revenue  | 34 764  | 36 398                    | 38 902                    | 41 236              | 43 711              | 46 333              | -             |
| Transfers and Subsidies - Capital  | 147 305   | 165 414                   | 195 862                   | 207 614             | 220 070             | 233 275             | -             |
| <i>List entity summary if applicable</i>   |   |                           |                           |                     |                     |                     | -             |
| <b>Total future revenue</b>  | <b>3 042 745</b>                                    | <b>3 208 410</b>          | <b>3 457 223</b>          | <b>3 665 657</b>    | <b>3 884 536</b>    | <b>4 117 608</b>    | -             |
| <b>Net Financial Implications</b>  | <b>361 253</b>                                      | <b>384 861</b>            | <b>333 779</b>            | <b>354 888</b>      | <b>379 458</b>      | <b>404 582</b>      | -             |

**Table 73 MBRR SA36 - Detailed capital budget per municipal vote**

| Municipal Vote/Capital project<br>R thousand                                 | Program/Project description  | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|--|--|---------------------|--|---------------------------|---------------------------|-----------------------|----------------|
|  |  |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location         | New or renewal |
| <b>Parent municipality:</b>  |  |                     |  |                           |                           |                       |                |
| <b>Vote 1 - CITY DEVELOPMENT</b>   | MUNICIPAL HOUSING  | 2.1                 | 5 500  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | PLANNING PROJECTS  | 6.1                 | –  | 890                       | 940                       | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF SMME RETAIL PARKS (RICHARDS BAY)   | 3.1                 | 1 800  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF SMME RETAIL PARKS (ESIKHALENI)   | 3.1                 | 3 270  | 3 500                     | –                         | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF 20 INFORMAL KIOSKS EMPANGENI BYRNE STREET & CONSTRUCTION OF 35 INFORMAL KIOSKS EMPANGENI MAXWELL AND COMMERCIAL STREET | 3.1                 | 3 500  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF STEEL BRIDGE   | 2.1                 | –  | –                         | 15 000                    | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF STEEL BRIDGE   | 2.1                 | –  | 5 000                     | –                         | WHOLE OF MUNICIPALITY | N              |
|  | ENGINEERING DESIGN PLANS FOR STEEL BRIDGE  | 2.1                 | –  | 2 000                     | –                         | WHOLE OF MUNICIPALITY | N              |
|  | DUMISANI MAKHAYE VILLAGE BULK SERVICES (SANITATION)  | 2.1                 | 5 006  | –                         | –                         | 9,24,23               | N              |
|  | EMPANGENI BULK SERVICES (SEWER)  | 2.1                 | 20 000   | –                         | –                         | 4                     | N              |
|  | DUMISANI MAKHAYE VILLAGE BULK SERVICES (WATER)   | 2.1                 | 3 200  | –                         | –                         | 9,23,24               | N              |
| <b>Vote 2 - COMMUNITY SERVICES, PUBLIC<br/>HEALTH AND EMERGENCY SERVICES</b> | UPGRADE : CANTEEN (EMPANGENI (REFUSE)  | 3.3                 | 500  | 100                       | –                         | WHOLE OF MUNICIPALITY | R              |
|  | UPGRADE : CANTEEN (EMPANGENI (REFUSE)  | 3.3                 | –  | –                         | 80                        | WHOLE OF MUNICIPALITY | R              |
|  | AIR POLLUTION EQUIPMENT  | 3.3                 | 740  | 200                       | 210                       | WHOLE OF MUNICIPALITY | N              |
|  | REFUSE TRUCKS  | 2.1                 | 8 000  | 9 000                     | 9 000                     | WHOLE OF MUNICIPALITY | R              |
|  | BUSH FIRE FIGHTING TANKER: NTAMBANANA  | 2.1                 | 2 276  | 2 700                     | 2 900                     | WHOLE OF MUNICIPALITY | N              |
|  | OCCUPATIONAL HEALTH CLINIC   | 1.2                 | 1 110  | 700                       | 700                       | WHOLE OF MUNICIPALITY | N              |
|  | HYDRAULIC PUMPS FOR RECOVERY AND EXTRACTION  | 3.2                 | 150  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | DORMETORY FURNITURE  | 3.2                 | 125  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | ELECTRONIC QUEUING SYSTEM FOR LICENSING OFFICES  | 1.1                 | 600  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF STORE ROOM AND SHELTER AT TRANSFER STATION : MZINGAZI  | 3.3                 | –  | 200                       | –                         | WHOLE OF MUNICIPALITY | N              |
|  | CONSTRUCTION OF STORE ROOM AND SHELTER AT TRANSFER STATION IN ENSELENI   | 3.3                 | –  | 200                       | –                         | WHOLE OF MUNICIPALITY | N              |
|  | RENOVATION OF NTAMBANANA TRANSFER STATION  | 3.3                 | 1 500  | 100                       | 80                        | WHOLE OF MUNICIPALITY | N              |
|  | SKIPS  | 3.3                 | 1 000  | 1 000                     | 1 000                     | WHOLE OF MUNICIPALITY | R              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                        | Program/Project description   | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information                 |                |
|---|---|---------------------|--|---------------------------|---------------------------|-------------------------------------|----------------|
|   |   |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location                       | New or renewal |
| <b>Parent municipality:</b>   |   |                     |  |                           |                           |                                     |                |
| Vote 3 - COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES | PLANNING AND ARCHITECHTURAL DRAWINGS FOR VACANT DEVEOPMENT OF VACANT LAND | 3.4                 | 700  | 2 000                     | 2 100                     | 1,18,24,25,29                       | N              |
|   | REFURBISHMENT OF BRACKENHAM HALL  | 3.4                 | 1 200  | –                         | –                         | 26,3                                | N              |
|   | REFURBISHMENT OF AQUADENE HALL  | 3.4                 | 800  | 840                       | –                         | 26                                  | N              |
|   | REPLACEMENT OF NSELENI HALL ROOF  | 3.4                 | 1 000  | –                         | –                         | 5,6,7,8<br>WHOLE OF<br>MUNICIPALITY | N              |
|   | RICHARDS BAY LIBRARY - PAVING   | 3.4                 | 150  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | RICHARDS BAY LIBRARY - CARPETS  | 3.4                 | 180  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | RICHARDS BAY LIBRARY - FURNITURE  | 3.4                 | –  | 250                       | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | ENSELENI LIBRARY - BUILDING EXTENSION                                     | 3.4                 | –  | –                         | 2 000                     | WHOLE OF<br>MUNICIPALITY            | N              |
|   | NGWELEZANE LIBRARY UPGRADING/RENOVATION                                   | 3.4                 | –  | 1 000                     | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | EMPANGENI LIBRARY - RFID SECURITY SYSTEM                                  | 3.4                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | ENSELENI LIBRARY - RFID SECURITY SYSTEM                                   | 3.4                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | ESIKHALENI LIBRARY - RFID SECURITY SYSTEM                                 | 3.4                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | BRACKENHAM LIBRARY - ROOF   | 3.4                 | 150  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | EMPANGENI LIBRARY - UPGRADING TO INCLUDE DISABLED TOILETS                 | 3.4                 | 150  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | RICHARDS BAY LIBRARY - UPGRADING AND RENOVATION                           | 3.4                 | –  | 600                       | 802                       | MUNICIPALITY                        | N              |
|   | NGWELEZANE LIBRARY - RFID SECURITY SYSTEM                                 | 3.4                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | ESIKHALENI LIBRARY - FURNITURE  | 3.4                 | –  | 200                       | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | NGWELEZANE LIBRARY - FURNITURE  | 3.4                 | –  | 200                       | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | EMPANGENI LIBRARY - FURNITURE AND SHELVING                                | 3.4                 | –  | 200                       | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | NGWELEZANE LIBRARY - FRONT DESK   | 3.4                 | 130  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | FLEET FOR HALLS   | 2.1                 | 1 400  | 1 470                     | 400                       | MUNICIPALITY                        | R              |
|   | LIBRARIES - KOMBI   | 2.1                 | 400  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | R              |
|   | 1 X SEDAN AND 1 X DOUBLE CAB  | 2.1                 | 900  | 900                       | 1 000                     | WHOLE OF<br>MUNICIPALITY            | R              |
|   | JETSKI  | 2.1                 | 250  | 263                       | 276                       | MUNICIPALITY                        | R              |
|   | QUADBIKE X 2  | 2.1                 | 300  | 315                       | 331                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | LIFE GUARD TOWER AT BAYHALL - PHASE 1                                     | 3.4                 | 150  | 158                       | 165                       | MUNICIPALITY                        | N              |
|   | BUSH TRUCK & PERSONNEL CARRIER  | 2.1                 | 700  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | N              |
|   | BEAUTIFICATION (ALL AREAS)  | 3.4                 | 2 000  | 3 000                     | 3 000                     | MUNICIPALITY                        | N              |
|   | PHASE 1 : PARKS POTTING SHED  | 2.1                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | R              |
|   | VARIOUS SMALL MACHINERY   | 2.1                 | 200  | –                         | –                         | WHOLE OF<br>MUNICIPALITY            | R              |
|   | TRACTOR DRAWN SLASHERS  | 2.1                 | 350  | 400                       | 450                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | REPLACEMENT OF SLASHERS   | 2.1                 | 200  | 200                       | 200                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | NEW CEMETERY DEVELOPMENT  | 3.3                 | 900  | 945                       | 1 100                     | MUNICIPALITY                        | R              |
|   | SWIMMING POOLS - ANTI-TURBULANCE LANES                                    | 3.4                 | 250  | 263                       | 276                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | SWIMMING POOLS - NEW AND RELACEMENT CHLORINATORS                          | 3.4                 | 350  | 368                       | 386                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | ESIKHALENI POOL ROOFING   | 3.4                 | 300  | 315                       | 331                       | WHOLE OF<br>MUNICIPALITY            | R              |
|   | FLOODLIGHTS - VARIOUS SPORTSFIELDS  | 3.4                 | –  | 5 875                     | 6 013                     | WHOLE OF<br>MUNICIPALITY            | N              |
|   | UPGRADING RURAL SPORTSFIELDS  | 3.4                 | 780  | 826                       | 873                       | WHOLE OF<br>MUNICIPALITY            | N              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand | Program/Project description                           | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|--|---|---------------------|--|---------------------------|---------------------------|-----------------------|----------------|
|  |   |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location         | New or renewal |
| <b>Parent municipality:</b>                  |   |                     |  |                           |                           |                       |                |
| Vote 4 - CORPORATE SERVICES -ADMINISTRATIVE  | FINANCE AND ADMIN (ADMIN) PROJECTS                    | 2.1                 | -  | 500                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | RENOVATION OF ESIKHALENI FINANCE SATELLITE OFFICE (H) | 2.1                 | 4 000  | -                         | -                         | 12,13,14,15,16,17,18  | R              |
|  | RENOVATION OF HLANGANANI FINANCE OFFICE               | 2.1                 | 1 700  | -                         | -                         | 19,20,21,22           | R              |
|  | RENOVATION OF VULINDELA FINANCE OFFCIE                | 2.1                 | 950  | 3 800                     | -                         | 18,19,20              | R              |
|  | RENOVATIONS - NGWELEZANA FINANCE OFFICE               | 2.1                 | 200  | 3 595                     | 2 000                     | 10,11,30,34           | R              |
|  | RENOVATIONS - eNSELENI FINANCE OFFICE                 | 2.1                 | 200  | -                         | 6 476                     | 24,25,27,28           | R              |
|  | CONSTRUCTION - EMPANGENI FINANCE OFFICE               | 2.1                 | -  | 600                       | -                         | 5,6,7,8               | R              |
|  | DESIGNS AND CONSTRUCTION OF THE CITY HALL - RICHARD   | 2.1                 | 444  | -                         | -                         | 9                     | R              |
|  | VEHICLES 4X4 BAKKIE - PUBLIC PARTICIPATION            | 2.1                 | -  | 426                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | COUNCILLORS TOOLS OF TRADE                            | 1.1                 | -  | 100                       | -                         | WHOLE OF MUNICIPALITY | N              |
|  | FURNITURE - COUNCILLORS                               | 1.1                 | 119  | 120                       | 182                       | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES 4x4 BAKKIE - SECRETARIAT SERVICES            | 2.1                 | -  | -                         | 542                       | WHOLE OF MUNICIPALITY | R              |
|  | LAPTOP FOR ADMINISTRATION                             | 1.1                 | 138  | 196                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | FRAUD MANAGEMENT                                      | 1.1                 | 3 100  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | VISITORS MANAGEMENT SYSTEM                            | 1.1                 | 200  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | ICT ASSET RFID SYSTEM                                 | 1.1                 | 300  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | ONLINE ELECTRICAL APPLICATION SYSTEM                  | 1.1                 | 200  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | LAPTOP FOR PUBLIC PARTICIPATION AND COUNCILLOR SUPP   | 1.1                 | -  | 239                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | PROJECT ICT R&D                                       | 1.1                 | 105  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | PROJECT NEW AND REPLACEMENT OF ICT EQUIPMENT          | 1.1                 | -  | 2 427                     | 2 500                     | WHOLE OF MUNICIPALITY | R              |
|  | SERVER INFRASTRUCTURE                                 | 1.1                 | -  | 2 000                     | 3 500                     | WHOLE OF MUNICIPALITY | R              |
|  | DELEGATE SYSTEM: EXCO                                 | 1.1                 | 170  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | AUDIO & DELEGATE SYSTEM: EMPANGENI COUNCIL CHAMBER    | 1.1                 | 160  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | AUDIO & VISUAL SYSTEM: AUDITORIUM RICHARDS BAY        | 1.1                 | 450  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | PORTABLE PA SYSTEM X 2                                | 1.1                 | -  | 80                        | -                         | WHOLE OF MUNICIPALITY | R              |
|  | CLINIC SYSTEM   | 1.1                 | 180  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | EMERGENCY SERVICES SYSTEM (ESS)                       | 1.1                 | 500  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | CABLING INFRASTRUCTURE UPGRADE: EMPANGENI CIVIC 1     | 1.1                 | 1 700  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | NETWORK INFRASTRUCTURE UPGRADE                        | 1.1                 | 1 470  | 1 500                     | 2 000                     | WHOLE OF MUNICIPALITY | R              |
|  | PUBLIC WIFI   | 1.1                 | 500  | 2 700                     | 3 000                     | WHOLE OF MUNICIPALITY | N              |
|  | ICT GOVERNANCE TOOL                                   | 1.1                 | 180  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | ISUZU 250 4X4 SINGLE CAB WITH CANOPY                  | 2.1                 | 465  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | OPEN OFFICE & FURNITURE                               | 2.1                 | 300  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
| Vote 5 - CORPORATE SERVICES -HUMAN RESOURCES | VEHICLES  | 2.1                 | -  | 250                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | FINANCE AND ADMIN (HUMAN RESOURCES) PROJECTS          | 2.1                 | -  | 200                       | -                         | WHOLE OF MUNICIPALITY | R              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                                | Program/Project description                                     | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|---|---|---------------------|--|---------------------------|---------------------------|-----------------------|----------------|
|   |   |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location         | New or renewal |
| <b>Parent municipality:</b>   |   |                     |  |                           |                           |                       |                |
| Vote 6 - FINANCIAL SERVICES   | LAPTOP FOR INTERNAL AUDIT                                       | 1.1                 | -  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|   | BULK NOTE COUNTER AND DESK NOTE COUNTER                         | 5.1                 | -  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|   | FINANCIAL ERP SYSTEM  | 1.1                 | 30 000   | 18 262                    | -                         | WHOLE OF MUNICIPALITY | N              |
|   | FINANCIAL ERP SYSTEM  | 1.1                 | -  | 51 738                    | -                         | WHOLE OF MUNICIPALITY | N              |
|   | SCM SECOND FLOOR  | 2.1                 | 5 900  | 4 700                     | 600                       | WHOLE OF MUNICIPALITY | N              |
|   | REPLACEMENT EQUIPMENT ALL FS SECTIONS                           | 2.1                 | 200  | 210                       | 220                       | WHOLE OF MUNICIPALITY | R              |
|   | REPLACEMENT FURNITURE ALL FS SECTIONS                           | 2.1                 | 241  | 257                       | 274                       | WHOLE OF MUNICIPALITY | R              |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES | ENERGY LOSSES PROJECT   | 2.1                 | 2 000  | 5 688                     | -                         | WHOLE OF MUNICIPALITY | R              |
|   | ENERGY LOSSES PROJECT   | 2.1                 | -  | -                         | 3 000                     | WHOLE OF MUNICIPALITY | R              |
|   | TRAFFIC MONITORING SIGNAL SYSTEM                                | 2.1                 | 1 500  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|   | ELECTRICAL TOOLS FOR OPERATIONS AND MAINTENANCE                 | 2.1                 | 500  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|   | ENERGY SAVING INITIATIVE  | 2.1                 | 8 900  | 8 900                     | 8 900                     | WHOLE OF MUNICIPALITY | N              |
|   | HIGH MAST LIGHTING INSTALLATION (TRADITIONAL AREAS)             | 2.1                 | 14 192   | 12 000                    | 15 000                    | 15-19,30              | N              |
|   | NGWELEZANE WATERWORKS 11KV OVERHEAD LINE REPLACEMENT            | 2.1                 | 300  | 450                       | -                         | WHOLE OF MUNICIPALITY | R              |
|   | NGWELEZANE WATERWORKS 11KV OVERHEAD LINE REPLACEMENT            | 2.1                 | -  | -                         | 450                       | WHOLE OF MUNICIPALITY | R              |
|   | LV ELECTRICAL NETWORK REFURBISHMENT                             | 2.1                 | 1 000  | 1 000                     | -                         | WHOLE OF MUNICIPALITY | R              |
|   | LV ELECTRICAL NETWORK REFURBISHMENT                             | 2.1                 | -  | -                         | 2 000                     | WHOLE OF MUNICIPALITY | R              |
|   | 132KV STRUCTURES /PYLONS REFURBISHMENT                          | 2.1                 | 2 000  | 3 000                     | -                         | WHOLE OF MUNICIPALITY | R              |
|   | 132KV STRUCTURES /PYLONS REFURBISHMENT                          | 2.1                 | -  | -                         | 3 000                     | WHOLE OF MUNICIPALITY | R              |
|   | MV ELECTRICAL NETWORK REFURBISHMENT                             | 2.1                 | 750  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|   | MV ELECTRICAL NETWORK REFURBISHMENT                             | 2.1                 | -  | -                         | 4 000                     | WHOLE OF MUNICIPALITY | R              |
|   | DC SYSTEM REPLACEMENT   | 2.1                 | 3 000  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|   | DC SYSTEM REPLACEMENT   | 2.1                 | -  | -                         | 3 000                     | WHOLE OF MUNICIPALITY | R              |
|   | 132KV OVERHEAD LINE REFURBISHMENT                               | 2.1                 | 2 000  | 4 000                     | -                         | WHOLE OF MUNICIPALITY | R              |
|   | 132KV OVERHEAD LINE REFURBISHMENT                               | 2.1                 | -  | -                         | 2 500                     | WHOLE OF MUNICIPALITY | R              |
|   | 11KV FORMALHAULT SWITCHING SWITCHGEAR REPLACEMENT               | 2.1                 | 8 000  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|   | RTU's REPLACEMENT   | 2.1                 | 4 000  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|   | RTU's REPLACEMENT   | 2.1                 | -  | -                         | 5 000                     | WHOLE OF MUNICIPALITY | R              |
|   | REPLACEMENT OF MV CABLES FROM SUBSTATION TO NGWELEZANE HOSPITAL | 2.1                 | 1 500  | -                         | -                         | 24,25,27,28           | R              |
|   | NGWELEZANE MAIN INCOMERS  | 2.1                 | 700  | -                         | -                         | 24,25,27,28           | R              |
|   | UBHEJANE -SATELLITE FEEDER                                      | 2.1                 | 1 100  | -                         | -                         | 24,25,27,28           | R              |
|   | MZINGAZI OHL UPGRADE  | 2.1                 | 1 600  | -                         | -                         | 1                     | R              |
|   | MADLANZINI OHL UPGRADE  | 2.1                 | 700  | -                         | -                         | 4                     | R              |
|   | 132 KV STATION REFURBISHMENT                                    | 2.1                 | 2 500  | 3 000                     | -                         | WHOLE OF MUNICIPALITY | R              |
|   | 132 KV STATION REFURBISHMENT                                    | 2.1                 | -  | -                         | 4 500                     | WHOLE OF MUNICIPALITY | R              |
|   | CASTOR 11KV SWITCH STATION - SWITCHING SWITCHGEAR R             | 2.1                 | -  | -                         | 10 000                    | WHOLE OF MUNICIPALITY | R              |
|   | 11KV LOKOZA SWITCHING SWITCHGEAR REPLACEMENT                    | 2.1                 | 7 000  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                                   | Program/Project description                          | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|--|--|---------------------|--|---------------------------|---------------------------|-----------------------|----------------|
|  |  |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location         | New or renewal |
| Parent municipality:   |  |                     |  |                           |                           |                       |                |
| Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES    | ARIES 11 KV SWITCH STATION - SWITCHGEAR REPLACEMENT  | 2.1                 | -  | 7 500                     | -                         | WHOLE OF MUNICIPALITY | R              |
|  | POLARIS 11KV SWITCHING SWITCHGEAR REPLACEMENT        | 2.1                 | -  | 13 500                    | -                         | WHOLE OF MUNICIPALITY | R              |
|  | ATAIR 11KV SWITCHSTATION - SWITCHGEAR                | 2.1                 | -  | -                         | 7 500                     | WHOLE OF MUNICIPALITY | R              |
|  | NSEZI 11KV OVERHEAD LINE REFURBISHMENT               | 2.1                 | -  | 450                       | -                         | WHOLE OF MUNICIPALITY | R              |
|  | EMPANGENI MV ELECTRICAL CABLE NETWORK UPGRADE        | 2.1                 | -  | -                         | 6 633                     | WHOLE OF MUNICIPALITY | R              |
|  | AQUADENE DEVELOPMENT                                 | 2.1                 | -  | 15 000                    | -                         | WHOLE OF MUNICIPALITY | R              |
|  | JOHN ROSS/EMPANGENI MAIN ROAD STREETLIGHTING INSTA   | 2.1                 | -  | 5 000                     | -                         | WHOLE OF MUNICIPALITY | R              |
|  | JOHN ROSS/EMPANGENI MAIN ROAD STREETLIGHTING INSTA   | 2.1                 | -  | -                         | 5 000                     | WHOLE OF MUNICIPALITY | R              |
|  | QUALITY OF SUPPLY                                    | 2.1                 | 2 000  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | QUALITY OF SUPPLY                                    | 2.1                 | -  | -                         | 2 000                     | WHOLE OF MUNICIPALITY | R              |
|  | ELECTRIFICATION OF MANDLAZINI AREA (564 STANDS)      | 2.1                 | 2 100  | -                         | -                         | 1,4,6,8,16,17,20,24,2 | R              |
|  | ELECTRIFICATION OF MZINGAZI AREA (209 STANDS)        | 2.1                 | 3 400  | -                         | -                         | 6,28                  | R              |
|  | ELECTRIFICATION OF NGWELEZANE IDT (NEWTOWN)          | 2.1                 | 4 500  | -                         | -                         | 1,4,6,8,16,17,20,24,2 | R              |
|  | ELECTRIFICATION OF DUMISANI MAKHAYE VILLAGE PHASE 8  | 2.1                 | -  | 3 000                     | -                         | 27                    | R              |
|  | ELECTRIFICATION OF AQUADENE PHASE 1                  | 2.1                 | -  | 7 000                     | -                         | WHOLE OF MUNICIPALITY | N              |
|  | ELECTRIFICATION OF AQUADENE PHASE 2                  | 2.1                 | -  | -                         | 25 000                    | WHOLE OF MUNICIPALITY | N              |
|  | ELECTRIFICATION OF AQUADENE BULK                     | 2.1                 | -  | -                         | 15 000                    | WHOLE OF MUNICIPALITY | N              |
|  | REPLACEMENT OF 100 ROTTEN POLES                      | 2.1                 | 1 600  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | REPLACEMENT OF 100 ROTTEN POLES                      | 2.1                 | -  | -                         | 1 000                     | WHOLE OF MUNICIPALITY | R              |
|  | REPLACEMENT OF 100 RUSTED POLES                      | 2.1                 | 1 500  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES FOR CUSTOMER SERVICES SECTION               | 2.1                 | 400  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES FOR PROCESS CONTROL                         | 2.1                 | 500  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES FOR PUBLIC LIGHTING SECTION                 | 2.1                 | 3 800  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES FOR OPERATIONS AND MAINTENANCE              | 2.1                 | 2 200  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
|  | VEHICLES FOR ADMIN SECTION                           | 2.1                 | 200  | -                         | -                         | WHOLE OF MUNICIPALITY | R              |
| Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES | NEW VEHICLE - ENGINEERING SUPPORT SERVICES           | 2.1                 | 250  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | AIR CONDITIONERS - ENGINEERING SUPPORT SERVICES      | 2.1                 | 150  | 50                        | -                         | WHOLE OF MUNICIPALITY | R              |
|  | AIR CONDITIONERS - ENGINEERING SUPPORT SERVICES      | 2.1                 | -  | -                         | 50                        | WHOLE OF MUNICIPALITY | R              |
|  | PMU/GIS & ENGINEERING SERVICES                       | 2.1                 | 1 000  | 1 000                     | 1 000                     | WHOLE OF MUNICIPALITY | N              |
|  | REPLACEMENT VEHICLES                                 | 2.1                 | 20 705   | 21 947                    | 23 190                    | WHOLE OF MUNICIPALITY | N              |
|  | SPORTS PROJECTS                                      | 3.4                 | 10 768   | 15 938                    | 16 882                    | 5,12,13,14,15,22,16,  | N              |
|  | RURAL SANITATION                                     | 2.1                 | 31 132   | 35 737                    | 37 837                    | 18,19,20,22           | N              |
|  | RURAL SANITATION (WSIG)                              | 2.1                 | 5 500  | 5 500                     | 5 500                     | WHOLE OF MUNICIPALITY | N              |
|  | NTAMBANANA PROJECTS - BUILDING & STRUCTURES          |                     |  |                           |                           | WHOLE OF MUNICIPALITY | N              |
|  | ROADS PROJECTS - MADLANZINI ROAD (TARRING MAIN ROAD) | 2.1                 | 9 500  | -                         | -                         | WHOLE OF MUNICIPALITY | N              |
|  | RURAL/SEMI-URBAN AREAS                               | 2.1                 | 20 772   | 22 002                    | 23 305                    | WHOLE OF MUNICIPALITY | N              |
|  |  |                     | 31 133   | 35 737                    | 37 838                    | 10,11,16,17,19,20,21  | N              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                                     | Program/Project description  | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|--|--|---------------------|--|---------------------------|---------------------------|---|----------------|
|  |  |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location   | New or renewal |
| Parent municipality:   |  |                     |  |                           |                           |   |                |
| Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | OFFICE FURNITURE:<br>4 X URBAN ROADS DEPOTS<br>4 X RURAL ROADS DEPOTS<br>4 X MAIN OFFICE<br>3 X PULL BEHIND JETTING MACHINE WITH TRAILER AND 10 000 LITRE WATER TANKER: URBAN ROADS (NORTHERN, SOUTHERN & WESTERN DEPOT) | 2.1                 | -  | -                         | -                         | WHOLE OF MUNICIPALITY   | N              |
|  | NEW VEHICLES & PLANT   | 2.1                 | 2 000  | 3 260                     | -                         | WHOLE OF MUNICIPALITY   | N              |
|  | WALKWAYS AND BRIDGES   | 2.1                 | 1 500  | 1 500                     | -                         | 2,21, 23,27   | N              |
|  | TRAFFIC CALMING  | 2.1                 | 1 000  | 1 100                     | -                         | 2,3,7,8,23,26,27,28   | N              |
|  | ESIKHALENI INTERSECTION  | 2.1                 | 10 000   | 10 000                    | 22 000                    | 14,16,21, 1,2,3,4,6,7, 8,9,14,15,16, 17,18,19,20,21, 22,23,24,26, | N              |
|  | ROADS RESEALING  | 2.1                 | 38 588   | 40 000                    | 46 000                    | 27, 28, 29,31 5,7,8,9,20,23,24,26,2                               | N              |
|  | UPGRADE ROADS - EMPANGENI & AQUADENE   | 2.1                 | 12 000   | 19 000                    | 22 000                    | 23 & 26 7,29,30   | N              |
|  | EMPANGENI "A" TAXI RANK  | 2.1                 | 350  | -                         | -                         | WHOLE OF MUNICIPALITY   | R              |
|  | ANNUAL KERB REPLACEMENT CONTRACT   | 2.1                 | 1 000  | 1 000                     | -                         | WHOLE OF MUNICIPALITY   | R              |
|  | ANNUAL WALKWAY REHABILITATION  | 2.1                 | 1 000  | 1 000                     | -                         | WHOLE OF MUNICIPALITY   | R              |
|  | DUNE ROAD CAPACITY INCREASE  | 2.1                 | -  | 600                       | -                         | 1   | R              |
|  | RURAL ROADS OFFICES  | 2.1                 | 4 000  | -                         | -                         | WHOLE OF MUNICIPALITY   | N              |
|  | UPGRADE & SIGNALISE OF 1 INTERSECTION WITHIN THE CITY OF UMHLATHUZE  | 2.1                 | 1 000  | 1 500                     | -                         | WHOLE OF MUNICIPALITY   | R              |
|  | PEDESTRIAN BRIDGES RURAL AREAS   | 2.1                 | -  | -                         | -                         | 10,11,24,25,29,30   | N              |
|  | BUS SHELTERS & LAYBYES - ALL AREAS   | 2.1                 | -  | -                         | -                         | 8,14,23,25,27,28  | N              |
|  | UPGRADE ROADS - EMPANGENI & AQUADENE   | 2.1                 | -  | -                         | -                         | 23 & 26   | N              |
|  | PEDESTRIAN BRIDGES RURAL AREAS   | 2.1                 | 1 500  | 1 500                     | -                         | 10,11,24,25,29,30   | N              |
|  | BUS SHELTERS & LAYBYES - ALL AREAS   | 2.1                 | 1 500  | 1 500                     | -                         | 8,14,23,25,27,28  | N              |
|  | ROADS RESEALING  | 2.1                 | -  | -                         | -                         | WHOLE OF MUNICIPALITY   | N              |
|  | ESIKHALENI INTERSECTION  | 2.1                 | -  | -                         | -                         | 14,16,21  | N              |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION            | NEW OFFICES FOR WATER DEMAND MANAGEMENT SECTION<br>RENOVATE AND UPGRADE OFFICES FOR ALL DEPOTS:NORTH,SOUTH, WEST, MECHANICAL   | 2.1                 | 1 500  | -                         | -                         | WHOLE OF MUNICIPALITY   | N              |
|  | MOBILE GIS DATABASE ENHANCEMENTS AND CAPTURING   | 1.1                 | 300  | 200                       | 263                       | WHOLE OF MUNICIPALITY   | R              |
|  | COMPUTER EQUIPMENT FOR WATER AND SANITATION<br>3 x DOUBLE CB 4 x 4 WITH CANOPIES AND EXTRA'S (MECHANICAL)  | 1.1                 | 300  | -                         | -                         | WHOLE OF MUNICIPALITY   | R              |
|  | STANDBY PUMPS  | 2.1                 | 2 500  | 447                       | 447                       | WHOLE OF MUNICIPALITY   | R              |
|  | UPGRADING OF MS 2 PUMP STATION CAPACITY  | 2.1                 | 600  | 700                       | 876                       | WHOLE OF MUNICIPALITY   | R              |
|  | UPGRADING OF BIRDSWOOD PUMP STATION CAPACITY   | 2.1                 | 5 000  | 3 000                     | 3 000                     | WHOLE OF MUNICIPALITY   | R              |
|  | UPGRADE OF MS9 PUMP STATION CAPACITY   | 2.1                 | 2 000  | 3 000                     | -                         | 4   | R              |
|  | REPLACEMENT OF PUMPS   | 2.1                 | 2 000  | 1 500                     | 1 500                     | WHOLE OF MUNICIPALITY   | R              |
|  | HILLVIEW SEWER PUMPLINE UPGRADE  | 2.1                 | 1 000  | 2 000                     | 2 000                     | WHOLE OF MUNICIPALITY   | R              |
|  | FURNITURE - WATER AND SANITATION SECTION<br>MEERENSEE - GARRICK RISE SEWER LINE REPLACEMENT 450MM  | 2.1                 | 300  | -                         | -                         | 24,25   | R              |
|  |  | 2.1                 | 1 000  | 300                       | 2 000                     | 1,2   | R              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                                    | Program/Project description | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |   | Project information      |                |
|---|-----------------------------|---------------------|--|---------------------------|---|--------------------------|----------------|
|   |                             |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20                     | Ward location            | New or renewal |
| <b>Parent municipality:</b>   |                             |                     |  |                           |   |                          |                |
| <b>Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION</b>    |                             |                     |  |                           |   |                          |                |
| RURAL SANITATION (COUNTER FUNDING)  | 2.1                         | 1 000               | –  | –                         | –   | 1,33                     | R              |
| MZINGAZI SEWER  | 2.1                         | 4 000               | –  | –                         | –   | WHOLE OF<br>MUNICIPALITY | N              |
| VELDENVLEI PUMP STATION   | 2.1                         | 1 000               | 7 000  | 7 500                     | 1,2,3,4                                       | R                        |                |
| UPGRADE - VULINDLELA SEWER PIPELINE   | 2.1                         | 5 000               | 1 000  | 2 000                     | 30  | R                        |                |
| WASTE WATER MANAGEMENT (SANITATION) PROJECTS                                    | 2.1                         | –                   | 13 000   | 13 000                    | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER QUALITY EQUIPMENT (SOFTWARE)  | 1.1                         | 3 500               | 1 000  | 2 000                     | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER QUALITY EQUIPMENT   | 2.1                         | 3 500               | 1 500  | –                         | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER QUALITY EQUIPMENT   | 2.1                         | –                   | –  | 3 000                     | –   | WHOLE OF<br>MUNICIPALITY | N              |
| 1 X SINGLE CAB 4X4 (NO ROOF RACK). HIGH RISE WITH DIFF<br>LOCK AND A CANOPY     | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 2 X DOUBLE CAB 4X4 (NO ROOF RACK). HIGH RISE WITH<br>DIFF LOCK AND A CANOPY     | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| (SCIENTIFIC SERVICES)   | 2.1                         | 1 500               | 1 000  | 1 000                     | –   | WHOLE OF<br>MUNICIPALITY | R              |
| 1 X DOUBLE CAB 4X4 WITH CANOPIES AND EXTRA'S<br>1X TLB (4X4)                    | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1 X 4TON TIPPER TRUCK WITH CRANE<br>(SOUTHERN DEPOT)                            | 2.1                         | 2 500               | 1 000  | 1 000                     | –   | WHOLE OF<br>MUNICIPALITY | R              |
| NEW WATER METERS (RURAL) - KWA-DUBE TRADITIONAL<br>AREAS                        | 2.1                         | 500                 | 300  | 800                       | 14,15,16                                      | N                        |                |
| 3 X DOUBLE CAB 4X4 WITH CANOPIES AND EXTRA'S<br>2X 10 TON TRUCK WITH 20000LTR   | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1X TLB (4BY4)   | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1 X 4TON TIPPER TRUCK WITH CRANE<br>(WESTERN DEPOT)                             | 2.1                         | 2 500               | 900  | 1 500                     | –   | WHOLE OF<br>MUNICIPALITY | R              |
| 2 X TLB 4 X 4 (URBAN WATER & SANITATION)  | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1 X 4TON TIPPER TRUCK WITH CRANE  | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1 X 10 TON TRUCK 4X4 JETTING MACHINE -<br>4 X 1500 LITRE WATER TANKER 4X4 TRUCK | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 1 X 3TON 4X4 HONEYSUCKER  | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 4 X DOUBLE CAB 4X4 WITH CANOPIES AND EXTRA'S<br>(NORTHERN DEPOT)                | 2.1                         | 2 500               | 900  | 1 500                     | –   | WHOLE OF<br>MUNICIPALITY | R              |
| WHOLE OF<br>MUNICIPALITY  | 2.1                         | –                   | –  | –                         | –   | –                        |                |
| 9 WATER PUMPS 4INCH   | 2.1                         | 300                 | 80   | 158                       | –   | WHOLE OF<br>MUNICIPALITY | R              |
| UPGRADE OF 110MM WATER PIPE IN ALTON (BEHIND ZCBF<br>TO BUS DEPO)               | 2.1                         | 500                 | –  | –                         | –   | WHOLE OF<br>MUNICIPALITY | R              |
| UPGRADING OF VALVES IN BIRDWOOD   | 2.1                         | 300                 | 500  | 737                       | 4   | R                        |                |
| REPLACEMNT OF WATER PIPE RETICULATION IN<br>MEERENSEE                           | 2.1                         | 200                 | 300  | 1 053                     | –   | WHOLE OF<br>MUNICIPALITY | R              |
| REPLACEMENT OF WATER PIPE RETICULATION IN<br>MEERENSEE                          | 2.1                         | 500                 | –  | –                         | –   | WHOLE OF<br>MUNICIPALITY | R              |
| 200 JOJO TANKS  | 2.1                         | 600                 | –  | –                         | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER LOSS AND DROUGHT RELIEF PROJECT   | 2.1                         | 1 000               | 500  | –                         | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER LOSS AND DROUGHT RELIEF PROJECT   | 2.1                         | –                   | –  | 527                       | –   | WHOLE OF<br>MUNICIPALITY | N              |
| WATER PROJECTS  | 2.1                         | 13 300              | 13 000   | –                         | 2   | R                        |                |
| WATER PROJECTS  | 2.1                         | –                   | –  | 15 000                    | 2   | N                        |                |
| NSELENI PIPE REPLACEMENT (WSIG)   | 2.1                         | 14 000              | –  | –                         | –   | 2, 3, 4                  | R              |
| RICHARDS BAY PIPE REPLACEMENT (WSIG)  | 2.1                         | –                   | 17 000   | 30 000                    | 2, 3, 4                                       | R                        |                |
| NGWELEZANE PIPE REPLACEMENT (WSIG)  | 2.1                         | –                   | 14 000   | –                         | 28  | N                        |                |
| REDUCTION OF NON-REVENUE (WSIG)   | 2.1                         | 14 500              | 9 500  | 4 500                     | 1 - 30  | N                        |                |
| ESIKHALENI WASTE WATER TREATMENT WORKS (WSIG)                                   | 2.1                         | –                   | –  | –                         | 12, 13, 14, 15, 16,<br>17, 18, 19, 20, 21, 22 | N                        |                |
| KWA DUBE RETICULATION (WSIG)  | 2.1                         | –                   | –  | –                         | 14  | N                        |                |
| KWA MADLEBE RETICULATION (WSIG)   | 2.1                         | –                   | –  | –                         | 24,25,27,28,29                                | N                        |                |
| EMPANGENI WATER NETWORK IMPROVEMENTS (WSIG)                                     | 2.1                         | –                   | –  | –                         | 23  | N                        |                |
| UPGRADE OF 110MM WATER PIPE IN ALTON (BEHIND ZCBF<br>TO BUS DEPO)               | 2.1                         | 300                 | –  | –                         | 2,3   | N                        |                |
| 1 x DOUBLE CAB 4 X 4 (WITH ROOF RACK) HIGH RISE WITH<br>DIFF LOCK AND CANOPY    | 2.1                         | –                   | –  | –                         | –   | WHOLE OF<br>MUNICIPALITY |                |
| WATER DEMAND MANAGEMENT   | 2.1                         | 450                 | 400  | 400                       | –   | WHOLE OF<br>MUNICIPALITY | R              |

**Table SA36 - Detailed capital budget per municipal vote (continued)**

| Municipal Vote/Capital project<br>R thousand                          | Program/Project description                        | IDP<br>Goal<br>code | 2017/18 Medium Term Revenue & Expenditure<br>Framework |                           |                           | Project information   |                |
|---|--|---------------------|--|---------------------------|---------------------------|-----------------------|----------------|
|   |  |                     | Budget Year<br>2017/18                                 | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 | Ward location         | New or renewal |
| Parent municipality:  |  |                     |  |                           |                           |                       |                |
| Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION | CONSTRUCTION OF A SECOND MEERENSEE RESERVOIR (20M) | 2.1                 | 100  | 8 000                     | 7 000                     | 1,2,3,4               | N              |
|   | EMPEMBENI RESERVOIR                                | 2.1                 | 1 000  | 7 000                     | 7 000                     | 13,14,15              | N              |
|   | NEW MADLEBE WATER METERS                           | 2.1                 | 2 000  | 500                       | 500                       | 24,25,26              | N              |
|   | CONSTRUCTION OF A FOURTH ESIKHALENI RESERVOIR      | 2.1                 | –  | 4 000                     | 5 000                     | WHOLE OF MUNICIPALITY | N              |
|   | BULK MASTER PLAN                                   | 2.1                 | 1 200  | 1 000                     | –                         | WHOLE OF MUNICIPALITY | R              |
| Vote 11 - OFFICE OF THE MUNICIPAL MANAGER                             | RISK - ERM SYSTEM                                  | 1.2                 | 180  | –                         | –                         | WHOLE OF MUNICIPALITY | N              |
|   | COUNCIL OWNED LED SCREEN FOR COMMUNITY MESSAGING   | 3.1                 | 297  | 312                       | 327                       | WHOLE OF MUNICIPALITY | N              |
|   | INFRASTRUCTURE TO ASSIST SMME PROJECT WITH OUTDOOR | 3.1                 | 1 000  | 1 500                     | 1 575                     | WHOLE OF MUNICIPALITY | N              |
| Parent Capital expenditure  |  |                     | 521 255  | 566 774                   | 548 154                   |                       |                |
| Total Capital expenditure   |  |                     | 89 453   | 61 759                    | 66 812                    |                       |                |

**Table 74 MBRR SA37 - Projects delayed from previous financial year**

| Municipal Vote/Capital project<br>R thousand | Project name | Project number | Asset Class<br>3 | Asset Sub-Class<br>3 | GPS co-ordinates<br>4 | Previous target year to complete<br>Year | Current Year 2016/17 |                    | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|--------------|----------------|------------------|----------------------|-----------------------|--|----------------------|--------------------|---|------------------------|------------------------|
|  |              |                |                  |                      |                       |  | Original Budget      | Full Year Forecast | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| Parent municipality:                         |              |                |                  |                      |                       |  |                      |                    |   |                        |                        |
| None   |              |                |                  |                      |                       |  |                      |                    |   |                        |                        |

## 2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### 1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.

### 2. Internship programme

The City is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. From the onset of this programme, Council has appointed ten interns on a permanent basis.

### 3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

### 4. Audit Committee

An Audit Committee has been established and is fully functional.

### 5. Enterprise Risk Management Committee

A ERM committee has been established and is fully functional

### 6. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2017 directly aligned and informed by the 2017/18 MTREF.

### 7. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### 8. MFMA Training

The MFMA training module in electronic format is presented at the City's internal centre and training is ongoing.

## 2.13 Other supporting documents

**Table 75 MBRR SA1 - Supporting detail to budgeted financial performance**

| Description<br>R thousand  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>REVENUE ITEMS:</b>  |   |                           |                           |
| <b>Property rates</b>  |   |                           |                           |
| Total Property Rates   | 503 787   | 527 994                   | 563 451                   |
| <i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i> | 50 915  | 53 461                    | 56 134                    |
| Net Property Rates   | 452 872   | 474 533                   | 507 317                   |
| <b>Service charges - electricity revenue</b>   |   |                           |                           |
| Total Service charges - electricity revenue  | 1 540 013   | 1 613 677                 | 1 725 044                 |
| <i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>  | 4 776   | 5 014                     | 5 265                     |
| <i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>  | 921   | 967                       | 1 016                     |
| Net Service charges - electricity revenue  | 1 534 316   | 1 607 695                 | 1 718 763                 |
| <b>Service charges - water revenue</b>   |   |                           |                           |
| Total Service charges - water revenue  | 533 264   | 559 254                   | 593 415                   |
| <i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>                                  | 121 226   | 127 288                   | 133 652                   |
| <i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>                                    | 102 055   | 107 158                   | 112 516                   |
| Net Service charges - water revenue  | 309 982   | 324 809                   | 347 247                   |
| <b>Service charges - sanitation revenue</b>  |   |                           |                           |
| Total Service charges - sanitation revenue   | 119 372   | 125 144                   | 133 243                   |
| <i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>                                 | 5 830   | 6 121                     | 6 427                     |
| <i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>                                   | 21 537  | 22 613                    | 23 744                    |
| Net Service charges - sanitation revenue   | 92 006  | 96 409                    | 103 072                   |
| <b>Service charges - refuse revenue</b>  |   |                           |                           |
| Total refuse removal revenue   | 92 694  | 97 161                    | 103 550                   |
| Total landfill revenue   | 16  | 17                        | 19                        |
| <i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>                                      | 1 192   | 1 252                     | 1 314                     |
| <i>less Cost of Free Basis Services (removed once a week to indigent households)</i>                                       | 14 943  | 15 690                    | 16 475                    |
| Net Service charges - refuse revenue   | 76 575  | 80 236                    | 85 780                    |

**Table SA1 - Supporting detail to budgeted financial performance (Continued)**

| Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>R thousand</b>                                      |   |                           |                           |
| <b>REVENUE ITEMS:</b>                                  |   |                           |                           |
| <b><u>Other Revenue by source</u></b>                  |   |                           |                           |
| Insurance Refunds                                      | 1 654   | 1 733                     | 1 854                     |
| Building Plan Approval/Clause Levy/Encroachment Fees   | 1 955   | 2 055                     | 2 189                     |
| Cemetery and Burial                                    | 542   | 561                       | 592                       |
| Clearance Certificates                                 | 470   | 490                       | 519                       |
| Development Charges                                    | 12 479  | 13 065                    | 13 927                    |
| Entrance Fees  | 531   | 556                       | 595                       |
| Escort Fees  | 429   | 449                       | 478                       |
| Fire Services  | 613   | 633                       | 665                       |
| Housing Staff/Private                                  | 3 121   | 3 267                     | 3 474                     |
| Photocopies and Faxes                                  | 215   | 230                       | 244                       |
| Other Revenue  | 12 755  | 13 360                    | 14 366                    |
| <b>Total 'Other' Revenue</b>                           | <b>34 764</b>                                       | <b>36 398</b>             | <b>38 902</b>             |
| <b>EXPENDITURE ITEMS:</b>                              |   |                           |                           |
| <b><u>Employee related costs</u></b>                   |   |                           |                           |
| Basic Salaries and Wages                               | 424 236   | 459 416                   | 503 844                   |
| Pension and UIF Contributions                          | 84 571  | 90 499                    | 96 389                    |
| Medical Aid Contributions                              | 39 010  | 41 744                    | 44 461                    |
| Overtime   | 46 424  | 49 676                    | 52 658                    |
| Performance Bonus                                      | —   | —                         | —                         |
| Motor Vehicle Allowance                                | 43 166  | 46 171                    | 49 176                    |
| Cellphone Allowance                                    | 3 753   | 4 018                     | 4 282                     |
| Housing Allowances                                     | 4 383   | 4 696                     | 5 006                     |
| Other benefits and allowances                          | 51 348  | 54 946                    | 58 501                    |
| Payments in lieu of leave                              | 25 591  | 27 386                    | 29 170                    |
| Long service awards                                    | 95  | 100                       | 106                       |
| Post-retirement benefit obligations                    | 5 694   | 6 092                     | 6 488                     |
| <i>sub-total</i>                                       |   | <b>728 269</b>            | <b>784 743</b>            |
| <b><u>Less: Employees costs capitalised to PPE</u></b> |   | —                         | —                         |
| <b>Total Employee related costs</b>                    | <b>728 269</b>                                      | <b>784 743</b>            | <b>850 081</b>            |

**Table SA1 - Supporting detail to budgeted financial performance (Continued)**

| Description<br>R thousand                        | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>EXPENDITURE ITEMS:</b>                        |   |                           |                           |
| <b>Depreciation &amp; asset impairment</b>       |   |                           |                           |
| Depreciation of Property, Plant & Equipment      | 376 848   | 401 636                   | 427 900                   |
| Lease amortisation                               | –   | –                         | –                         |
| Capital asset impairment                         | –   | –                         | –                         |
| Depreciation resulting from revaluation of PPE   | –   | –                         | –                         |
| <b>Total Depreciation &amp; asset impairment</b> | <b>376 848</b>                                      | <b>401 636</b>            | <b>427 900</b>            |
| <b>Bulk purchases</b>                            |   |                           |                           |
| Electricity Bulk Purchases                       | 954 886   | 974 437                   | 1 057 406                 |
| Water Bulk Purchases                             | 120 000   | 127 200                   | 134 832                   |
| <b>Total bulk purchases</b>                      | <b>1 074 886</b>                                    | <b>1 101 637</b>          | <b>1 192 238</b>          |
| <b>Transfers and grants</b>                      |   |                           |                           |
| Cash transfers and grants                        | 11 043  | 11 610                    | 12 059                    |
| Non-cash transfers and grants                    | 686   | 713                       | 749                       |
| <b>Total transfers and grants</b>                | <b>11 729</b>                                       | <b>12 323</b>             | <b>12 808</b>             |
| <b>Contracted services</b>                       |   |                           |                           |
| <i>Aerial Photography</i>                        | 1 000   | 600                       | 400                       |
| <i>Artists and Performers</i>                    | 100   | 106                       | 112                       |
| <i>Catering Services</i>                         | 5 228   | 5 508                     | 5 851                     |
| <i>Fire Protection</i>                           | 329   | 348                       | 366                       |
| <i>Safeguard and Security</i>                    | 30 000  | 31 800                    | 33 708                    |
| <i>Stage and Sound Crew</i>                      | 468   | 383                       | 400                       |
| <i>Alien Vegetation Control</i>                  | 2 020   | 2 121                     | 2 227                     |
| <i>Burial Services</i>                           | 640   | 675                       | 709                       |
| <i>Occupational Health and Safety</i>            | 513   | 534                       | 560                       |
| <i>Quality Control</i>                           | 420   | 445                       | 472                       |
| <i>Cleaning Services</i>                         | 3 409   | 3 613                     | 3 830                     |
| <i>Connections/Disconnections Electricity</i>    | 4 380   | 4 643                     | 4 922                     |
| <i>Connections/Disconnections Water</i>          | 4 380   | 4 643                     | 4 922                     |
| <i>Internal Auditors</i>                         | 4 854   | 5 097                     | 5 351                     |
| <i>Meter Management</i>                          | 6 005   | 6 306                     | 6 621                     |
| <i>Sewerage Services</i>                         | 82 828  | 87 500                    | 92 436                    |
| <i>Traffic Fine Management</i>                   | 528   | 554                       | 582                       |
| <i>Other Contracted Services</i>                 | 4 795   | 3 238                     | 3 672                     |
| <b>Total contracted services</b>                 | <b>151 897</b>                                      | <b>158 112</b>            | <b>167 141</b>            |

**Table SA1 - Supporting detail to budgeted financial performance (Continued)**

| Description<br>R thousand                                       | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>EXPENDITURE ITEMS:</b>                                       |   |                           |                           |
| <b><u>Other Expenditure By Type</u></b>                         |   |                           |                           |
| General expenses  | 109 164   | 115 538                   | 122 484                   |
| Business and Advisory Project Management                        | 8 468   | 8 976                     | 9 515                     |
| Consultants And Professional Services Town Planner              | 3 625   | 3 842                     | 4 073                     |
| Consultants And Professional Services Laboratory Services Water | 7 424   | 7 869                     | 8 341                     |
| Consultants And Professional Services Legal Cost Collection     | 3 738   | 3 963                     | 4 201                     |
| Consumable Stores   | 24 218  | 25 661                    | 27 200                    |
| Material and Supplies   | 7 671   | 8 068                     | 8 552                     |
| Transport Assets  | 3 166   | 3 353                     | 3 551                     |
| Commision Prepaid Electricity                                   | 6 163   | 6 533                     | 6 925                     |
| Postage/Stamps  | 6 218   | 6 591                     | 6 986                     |
| Dumping Fees (District Council)                                 | 5 985   | 6 345                     | 6 725                     |
| External Computer Service: Internet Charge                      | 4 378   | 4 641                     | 4 919                     |
| External Computer Service: Software Licences                    | 9 933   | 10 529                    | 11 161                    |
| Insurance   | 4 499   | 4 723                     | 4 959                     |
| Professional Bodies: Membership and Subscription                | 7 568   | 8 241                     | 8 927                     |
| Remuneration to Ward Committees                                 | 5 200   | 5 512                     | 5 843                     |
| Skills Developmet Fund Levy                                     | 5 542   | 5 945                     | 6 331                     |
| Bank Charges  | 8 125   | 8 612                     | 9 129                     |
| Business and Advisory Research and Advisory                     | 8 900   | 8 900                     | 8 900                     |
| Workmen's Compensation Fund                                     | 4 076   | 4 365                     | 4 652                     |
| Uniform and Protective Clothing                                 | 3 747   | 3 972                     | 4 210                     |
| Telephone   | 1 969   | 2 067                     | 2 192                     |
| <b>Total 'Other' Expenditure</b>                                | <b>249 775</b>                                      | <b>264 245</b>            | <b>279 776</b>            |
| <b><u>Repairs and Maintenance by Expenditure Item</u></b>       |   |                           |                           |
| Employee related costs  | 373 892   | 401 955                   | 429 666                   |
| Other materials   | 67 995  | 78 847                    | 82 825                    |
| Contracted Services   | 92 409  | 93 864                    | 98 696                    |
| Other Expenditure   | —   | —                         | —                         |
| <b>Total Repairs and Maintenance Expenditure</b>                | <b>534 296</b>                                      | <b>574 665</b>            | <b>611 188</b>            |

**Table 76 MBRR SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

| Description   | Vote 1 - CITY DEVELOPMENT | Vote 2 - COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY | Vote 3 - COMMUNITY SERVICES - RECREATIONAL AND ENVIRONMENTAL SERVICES | Vote 4 - CORPORATE SERVICES - ADMINISTRATION | Vote 5 - CORPORATE SERVICES - HUMAN RESOURCES | Vote 6 - FINANCIAL SERVICES | Vote 7 - INFRASTRUCTURE AND TECHNICAL SERVICES - ELECTRICAL SUPPLY SERVICES | Vote 8 - INFRASTRUCTURE AND TECHNICAL SERVICES - WATER AND SANITATION | Vote 9 - INFRASTRUCTURE AND TECHNICAL SERVICES - TRANSPORT, ROADS AND STORMWATER | Vote 10 - INFRASTRUCTURE AND TECHNICAL SERVICES - ENGINEERING SUPPORT SERVICES | Vote 11 - OFFICE OF THE MUNICIPAL MANAGER | Total            |
|---|---------------------------|--|---|--|---|-----------------------------|---|---|--|--|---|------------------|
|   |                           |  |   |  |   |                             |   |   |  |  |   |                  |
| <b>Revenue By Source</b>  |                           |  |   |  |   |                             |   |   |  |  |   |                  |
| Property rates  | –                         | –  | –   | –  | –   | 452 872                     | –   | –   | –  | –  | –   | 452 872          |
| Service charges - electricity revenue   | –                         | –  | –   | –  | –   | 3 783                       | 1 530 534   | 1   | –  | –  | –   | 1 534 317        |
| Service charges - water revenue   | –                         | –  | –   | –  | –   | –                           | –   | 309 992   | –  | –  | –   | 309 992          |
| Service charges - sanitation revenue  | –                         | –  | –   | –  | –   | 358                         | –   | 91 638  | –  | –  | –   | 91 995           |
| Service charges - refuse revenue  | –                         | 76 575   | –   | –  | –   | –                           | –   | –   | –  | –  | –   | 76 575           |
| Service charges - other   | –                         | –  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | –                |
| Rental of facilities and equipment  | –                         | –  | 4 192   | 2 763  | –   | –                           | –   | –   | –  | 1 053  | –   | 8 008            |
| Interest earned - external investments  | –                         | –  | 1 942   | –  | –   | 40 000                      | –   | –   | –  | –  | –   | 41 942           |
| Interest earned - outstanding debtors   | –                         | –  | –   | –  | –   | 53                          | –   | –   | –  | –  | –   | 53               |
| Dividends received  | –                         | –  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | –                |
| Fines, penalties and forfeits   | –                         | 2 324  | 37  | –  | –   | 3 663                       | 971   | 324   | –  | –  | 243                                       | 7 563            |
| Licences and permits  | –                         | 3 609  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | 3 609            |
| Agency services   | –                         | 7 390  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | 7 390            |
| Other revenue   | 3 603                     | 1 393  | 1 376   | 2 287  | 6   | 3 935                       | 392   | 18 000  | 80   | 358  | 3 333                                     | 34 764           |
| Transfers and subsidies   | 2 628                     | 58 402   | 9 568   | –  | –   | 2 650                       | 5 840   | 227 767   | –  | 16 080   | 3 424                                     | 326 359          |
| Gains on disposal of PPE  | –                         | –  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | –                |
| <b>Total Revenue (excluding capital transfers and contributions)</b>                          | <b>6 231</b>              | <b>149 693</b>   | <b>17 116</b>   | <b>5 050</b>                                 | <b>6</b>                                      | <b>507 314</b>              | <b>1 537 737</b>  | <b>647 722</b>  | <b>1 133</b>   | <b>16 438</b>  | <b>7 000</b>                              | <b>2 895 441</b> |
| <b>Expenditure By Type</b>  |                           |  |   |  |   |                             |   |   |  |  |   |                  |
| Employee related costs  | 43 793                    | 162 567  | 104 955   | 52 820                                       | 14 817  | 72 096                      | 62 264  | 82 898  | 55 777   | 49 460   | 26 824                                    | 728 269          |
| Remuneration of councillors   | –                         | –  | –   | 29 147                                       | –   | –                           | –   | –   | –  | –  | –   | 29 147           |
| Debt impairment   | –                         | 776  | –   | –  | –   | 4 892                       | 14 399  | 6 321   | –  | –  | –   | 26 388           |
| Depreciation & asset impairment   | 2 664                     | 5 275  | 15 367  | 22 974                                       | 44  | 411                         | 35 721  | 174 157   | 93 729   | 26 257   | 251                                       | 376 848          |
| Finance charges   | 168                       | 1 130  | 2 779   | 3 205  | 0   | 2                           | 26 038  | 25 830  | 12 856   | 1 392  | 2   | 73 401           |
| Bulk purchases  | –                         | –  | 132   | –  | –   | –                           | 943 706   | 131 049   | –  | –  | –   | 1 074 886        |
| Other materials   | 64                        | 221  | 10 422  | 3 907  | 2   | 9                           | 49 717  | 42 565  | 41 726   | 11 772   | –   | 160 405          |
| Contracted services   | 5 806                     | 7 270  | 12 380  | 9 222  | 262   | 15 909                      | 2 824   | 90 841  | 955  | 1 451  | 4 976                                     | 151 897          |
| Transfers and subsidies   | 318                       | 686  | 5 186   | 4 747  | –   | –                           | –   | –   | –  | –  | 793                                       | 11 729           |
| Other expenditure   | 26 543                    | 99 339   | 53 000  | (111 614)                                    | (11 065)                                      | (76 463)                    | 151 584   | 122 173   | 40 487   | (46 409)   | 2 200                                     | 249 775          |
| Loss on disposal of PPE   | –                         | –  | –   | –  | –   | –                           | –   | –   | –  | –  | –   | –                |
| <b>Total Expenditure</b>  | <b>79 356</b>             | <b>277 263</b>   | <b>204 221</b>  | <b>14 406</b>                                | <b>4 059</b>                                  | <b>16 855</b>               | <b>1 286 254</b>  | <b>675 834</b>  | <b>245 528</b>   | <b>43 923</b>  | <b>35 046</b>                             | <b>2 882 744</b> |
| <b>Surplus/(Deficit)</b>  | <b>(73 125)</b>           | <b>(127 569)</b>                                       | <b>(187 105)</b>  | <b>(9 356)</b>                               | <b>(4 053)</b>                                | <b>490 459</b>              | <b>251 484</b>  | <b>(28 113)</b>   | <b>(244 395)</b>   | <b>(27 485)</b>  | <b>(28 045)</b>                           | <b>12 697</b>    |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | –                         | –  | 15 496  | –  | –   | –                           | 10 000  | 103 989   | 17 820   | –  | –   | 147 305          |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>                          | <b>(73 125)</b>           | <b>(127 569)</b>                                       | <b>(171 609)</b>  | <b>(9 356)</b>                               | <b>(4 053)</b>                                | <b>490 459</b>              | <b>261 484</b>  | <b>75 877</b>   | <b>(226 575)</b>   | <b>(27 485)</b>  | <b>(28 045)</b>                           | <b>160 002</b>   |

**Table 77 MBRR SA3 – Supporting detail to Statement of Financial Position**

| Description<br>R thousand                        | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|--|---|---------------------------|---------------------------|
|  | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>ASSETS</b>                                    |   |                           |                           |
| <b>Call investment deposits</b>                  |   |                           |                           |
| Call deposits                                    | 400 000   | 350 000                   | 350 000                   |
| <b>Total Call investment deposits</b>            | <b>400 000</b>                                      | <b>350 000</b>            | <b>350 000</b>            |
| <b>Consumer debtors</b>                          |   |                           |                           |
| Consumer debtors                                 | 477 203   | 496 736                   | 520 255                   |
| <u>Less: Provision for debt impairment</u>       | (68 173)  | (69 492)                  | (70 877)                  |
| <b>Total Consumer debtors</b>                    | <b>409 030</b>                                      | <b>427 245</b>            | <b>449 378</b>            |
| <b>Debt impairment provision</b>                 |   |                           |                           |
| Balance at the beginning of the year             | 66 797  | 68 173                    | 69 492                    |
| Contributions to the provision                   | 26 388  | 27 707                    | 29 092                    |
| Bad debts written off                            | (25 012)  | (26 388)                  | (27 707)                  |
| <b>Balance at end of year</b>                    | <b>68 173</b>                                       | <b>69 492</b>             | <b>70 877</b>             |
| <b>Property, plant and equipment (PPE)</b>       |   |                           |                           |
| PPE at cost/valuation (excl. finance leases)     | 12 784 985  | 13 280 759                | 13 278 759                |
| Leases recognised as PPE                         | (7 567 232)   | (7 918 487)               | (7 798 594)               |
| <b>Total Property, plant and equipment (PPE)</b> | <b>5 217 753</b>                                    | <b>5 362 272</b>          | <b>5 480 165</b>          |
| <b>LIABILITIES</b>                               |   |                           |                           |
| <b>Current liabilities - Borrowing</b>           |   |                           |                           |
| Current portion of long-term liabilities         | 159 365   | 78 531                    | 68 971                    |
| <b>Total Current liabilities - Borrowing</b>     | <b>159 365</b>                                      | <b>78 531</b>             | <b>68 971</b>             |
| <b>Trade and other payables</b>                  |   |                           |                           |
| Trade and other creditors                        | 321 082   | 341 567                   | 364 793                   |
| Unspent conditional transfers                    | 57 838  | 57 838                    | 57 838                    |
| <b>Total Trade and other payables</b>            | <b>378 920</b>                                      | <b>399 405</b>            | <b>422 631</b>            |
| <b>Non current liabilities - Borrowing</b>       |   |                           |                           |
| Borrowing  | 477 671   | 499 140                   | 430 169                   |
| Finance leases (including PPP asset element)     | –   | –                         | –                         |
| <b>Total Non current liabilities - Borrowing</b> | <b>477 671</b>                                      | <b>499 140</b>            | <b>430 169</b>            |
| <b>Provisions - non-current</b>                  |   |                           |                           |
| Retirement benefits                              | 315 343   | 338 615                   | 363 605                   |
| <b>Total Provisions - non-current</b>            | <b>315 343</b>                                      | <b>338 615</b>            | <b>363 605</b>            |

**Table MBRR SA3 – Supporting detail to Statement of Financial Position**

| Description<br>R thousand                       | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |
| <b>CHANGES IN NET ASSETS</b>                    |   |                           |                           |
| <b>Accumulated Surplus/(Deficit)</b>            |   |                           |                           |
| Accumulated Surplus/(Deficit) - opening balance | 4 694 093   | 4 661 837                 | 4 727 970                 |
| Restated balance                                | 4 694 093   | 4 661 837                 | 4 727 970                 |
| Surplus/(Deficit)                               | 160 002   | 181 914                   | 214 375                   |
| Appropriations to Reserves                      | (301 360)   | (352 292)                 | (374 768)                 |
| Other adjustments                               | 109 102   | 236 511                   | 270 245                   |
| <b>Accumulated Surplus/(Deficit)</b>            | <b>4 661 837</b>                                    | <b>4 727 970</b>          | <b>4 837 823</b>          |
| <b>Reserves</b>                                 |   |                           |                           |
| Housing Development Fund                        | 59 117  | 62 889                    | 66 901                    |
| Capital replacement                             | 301 360   | 352 292                   | 374 768                   |
| <b>Total Reserves</b>                           | <b>360 477</b>                                      | <b>415 181</b>            | <b>441 669</b>            |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>            | <b>5 022 314</b>                                    | <b>5 143 151</b>          | <b>5 279 492</b>          |

**Table 78 MBRR SA9 – Social, economic and demographic statistics and assumptions**

| Description of economic indicator                   | Basis of calculation   | 2017/18 Medium Term Revenue & Expenditure Framework |             |             |
|---|--|---|-------------|-------------|
|   |  | Outcome   | Outcome     | Outcome     |
| <b>Demographics</b>                                 |  |   |             |             |
| Population  | 2011 Census  | 410   | 410         | 410         |
| Females aged 5 - 14                                 | 2011 Census  | 47  | 47          | 47          |
| Males aged 5 - 14                                   | 2011 Census  | 45  | 45          | 45          |
| Females aged 15 - 34                                | 2011 Census  | 84  | 84          | 84          |
| Males aged 15 - 34                                  | 2011 Census  | 79  | 79          | 79          |
| Unemployment  | 2011 Census  | 39  | 39          | 39          |
| <b>Monthly household income (no. of households)</b> |  |   |             |             |
| No income   | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 136 821   | 136 821     | 136 821     |
| R1 - R1 600   | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 93 085  | 93 085      | 93 085      |
| R1 601 - R3 200                                     | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 16 998  | 16 998      | 16 998      |
| R3 201 - R6 400                                     | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 13 948  | 13 948      | 13 948      |
| R6 401 - R12 800                                    | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 15 364  | 15 364      | 15 364      |
| R12 801 - R25 600                                   | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 12 373  | 12 373      | 12 373      |
| R25 601 - R51 200                                   | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 4 659   | 4 659       | 4 659       |
| R52 201 - R102 400                                  | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 864   | 864         | 864         |
| R102 401 - R204 800                                 | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 388   | 388         | 388         |
| R204 801 - R409 600                                 | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 253   | 253         | 253         |
| R409 601 - R819 200                                 | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | –   | –           | –           |
| >R819 200   | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | –   | –           | –           |
| <b>Poverty profiles (no. of households)</b>         |  |   |             |             |
| < R2 060 per household per month                    | Income levels as per Census 2011 provided at individual levels. Projected of 1.45% applied   | 0.00  | 0.00        | 0.00        |
| <b>Household/demographics (000)</b>                 |  |   |             |             |
| Number of people in municipal area                  |  | 410   | 410         | 410         |
| Number of poor people in municipal area             | Individual with no income and income below R800pm counted. Increase annually of 1.45% projected  | 211   | 211         | 211         |
| Number of households in municipal area              | Increase of 1.45% projected  | 91  | 91          | 91          |
| Number of poor households in municipal area         |  | 54  | 54          | 54          |
| Definition of poor household (R per month)          |  | >R1000/pmnt   | >R1000/pmnt | >R1000/pmnt |
| <b>Housing statistics</b>                           |  |   |             |             |
| Formal  | Included census figure not mentioned under informal hereunder. Annual increase of 1.45% applied  | 79 930  | 79 930      | 79 930      |
| Informal  | Included census figure for traditional dwellings, informal dwellings, caravan/tent and other as a possible indication of need/demand. Annual increase of 1.45% applied | 10 589  | 10 589      | 10 589      |
| <b>Total number of households</b>                   |  | 90 519  | 90 519      | 90 519      |
| <b>Economic</b>                                     |  |   |             |             |
| Inflation/inflation outlook (CPIX)                  |  | 5.5%  | 4.0%        | 4.0%        |
| Interest rate - borrowing                           |  | 11.0%   | 11.0%       | 11.0%       |
| Interest rate - investment                          |  | 5.5%  | 5.5%        | 5.5%        |
| Remuneration increases                              |  | 5.8%  | 6.0%        | 6.5%        |
| Consumption growth (electricity)                    |  | 1.0%  | 1.0%        | 1.0%        |
| Consumption growth (water)                          |  | 1.0%  | 1.0%        | 1.0%        |
| <b>Collection rates</b>                             |  |   |             |             |
| Property tax/service charges                        |  | 96.0%   | 96.0%       | 96.0%       |
| Rental of facilities & equipment                    |  | 96.0%   | 96.0%       | 96.0%       |
| Interest - external investments                     |  | 100.0%  | 100.0%      | 100.0%      |
| Interest - debtors                                  |  | 10.5%   | 10.5%       | 10.5%       |
| Revenue from agency services                        |  | 96.0%   | 96.0%       | 96.0%       |

**Table 79 MBRR SA32 – List of external mechanisms**

| External mechanism<br>Name of organisation | Yrs/<br>Mths | Period of<br>agreement 1.<br>Number | Service provided   | Expiry date of<br>service delivery<br>agreement or<br>contract | Monetary value of agreement 2.  |
|--|--------------|-------------------------------------|--|--|---|
|  |              |                                     |  |  | R thousand  |
| R & H Rail (Pty) Ltd                       | Yrs          | 3                                   | Provide professional assistance to Council for the maintenance and operation of Council's Private railway sidings to ensure compliance to the Railway Safety Regulator requirements and assist with implementation of requirements by providing specialised input to the Contractor. | 28 February 2020   | 1 000   |
| Lincor                                     | Yrs          | 3                                   | Provides specialised contracted services to maintain Council's Private Railway Sidings   | 31 August 2016   | 2 823   |
| BMK Consulting                             | Yrs          | 3                                   | Updating the Pavement management System (PMS) and assist with the contract and the construction procedure and detail designs   | 30 September 2019  | 2 844   |
| X-Moor Transport                           | Yrs          | 3                                   | Contractor appointed to implement the findings of the Pavement Management System (PMS) as per the available budget.  | 28 February 2019   | No contract value, this is as and when Project Total Budget for 2016/2017 is R71 711 200. |

**Table 80 MBRR SA38 - Consolidated detailed operational projects**

| Municipal Vote/Operational project<br>R thousand   | Program/Project description | Project number | IDP Goal code<br>2 | Individually Approved<br>(Yes/No)<br>6 | Asset Class | Asset Sub-Class | GPS co-ordinates<br>5 | Total Project Estimate | Prior year outcomes        |   | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           | Project information<br>Ward location |
|--|-----------------------------|----------------|--------------------|--|-------------|-----------------|-----------------------|------------------------|----------------------------|---|---|---------------------------|---------------------------|--------------------------------------|
|  |                             |                |                    |  |             |                 |                       |                        | Audited Outcome<br>2015/16 | Current Year<br>2016/17<br>Full Year Forecast | Budget Year<br>2017/18                              | Budget Year<br>+1 2018/19 | Budget Year<br>+2 2019/20 |                                      |
| Parent municipality:<br><br>Information for this table will be completed once the budgeting module tool is finalised |                             |                |                    |  |             |                 |                       |                        |                            |   |   |                           |                           |                                      |
| Parent operational expenditure   |                             |                |                    |  |             |                 |                       |                        |                            |   | -   | -                         | -                         |                                      |
| Total Operational expenditure  |                             |                |                    |  |             |                 |                       |                        | -                          | -   | -   | -                         | -                         |                                      |

## 2.14 Municipal manager's quality certificate



5 Mark Strasse Civic Centre  
Business District  
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Richards Bay 3900  
E: reg@umhlathuze.gov.za  
T: 035 907 5000  
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Toll Free No: 0800 222 627

[www.umhlathuze.gov.za](http://www.umhlathuze.gov.za)

Your ref: KZN 282

Our file ref:

5/1/1 - 2017/18

Contact: Municipal Manager

In response to DMS No:

Date:

22/05/2017

### QUALITY CERTIFICATE

I, Dr Nhlanhla Sibeko, Municipal Manager of the City of uMhlathuze, hereby certify that the Adopted Medium Term Revenue and Expenditure Framework Plan (MTREF) and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Tabled Medium Term Revenue and Expenditure Framework and supporting documentations are consistent with the Integrated Development Plan of the municipality.

**DR NHLANHLA SIBEKO**

**MUNICIPAL MANAGER OF CITY OF uMHLATHUZE KZN282**

**SIGNATURE:**

**DATE:**

19/05/2017



ALL CORRESPONDENCE MUST BE ADDRESSED TO THE MUNICIPAL MANAGER